

# Elundini

LOCAL MUNICIPALITY



MUNICIPALITY

IKAMVA ELIQAQAMBILEYO

**ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2012**

# ELUNDINI LOCAL MUNICIPALITY

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# ELUNDINI LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Elundini Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996).

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Elundini Municipality includes the following areas:

Maclear  
Mt Fletcher  
Ugie  
Parts of Tsolo and Qumbu

#### MEMBERS OF THE MAYORAL COMMITTEE

|            |               |                                                             |
|------------|---------------|-------------------------------------------------------------|
| Mayor      | NR Lengs      |                                                             |
| Speaker    | M Bomela      |                                                             |
| Councillor | LS Baduza     | Portfolio head: Corporate Services                          |
| Councillor | DD Mvumvu     | Portfolio head: Community Services                          |
| Councillor | AM Mqamelo    | Portfolio head: Financial Services                          |
| Councillor | TJ Lehata     | Portfolio head: Technical Services                          |
| Councillor | N Nkalitshana | Portfolio head: Strategic Planning and Economic Development |

#### MUNICIPAL MANAGER

K Gashi

#### CHIEF FINANCIAL OFFICER

SW Goodall

#### OTHER DIRECTORS

|              |                                                             |
|--------------|-------------------------------------------------------------|
| P Mpendulo   | Acting Manager: Infrastructure Planning and Development     |
| S Matubatuba | Manager: Corporate Services                                 |
| S Faku       | Acting Manager: Strategic Planning and Economic Development |
| AM Ntaba     | Manager: Community and Social Services                      |

#### REGISTERED OFFICE

No 1 Sellar Street  
Maclear  
5480

#### AUDITORS

Office of the Auditor General (Eastern Cape)

#### PRINCIPLE BANKERS

First National Bank, Maclear  
Standard Bank, Maclear

#### AUDIT COMMITTEE

|            |               |
|------------|---------------|
| N Mnconywa | - Chairperson |
| L Dart     | - Member      |
| G Richards | - Member      |
| Q Williams | - Member      |

#### ATTORNEYS

|                               |                              |
|-------------------------------|------------------------------|
| McFarlane & Associates        | Sodo Inc RM                  |
| Wesley Pretorius & Associates | Van der Walt Attorneys       |
| Mantyi Attorneys              | Fikile Ntanyiya & Associates |
| Jolwana Mgidlana Incorporated | Nompilo Sidondi Consulting   |
| O'Conner Attorneys            |                              |

# ELUNDINI LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### GENERAL INFORMATION

#### REGULATORY FRAMEWORK

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Remuneration of Public Office Bearers' Act (Act 20 of 1998)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALGBC Leave Regulations  
National Environmental Management Act  
Preferential Procurement Policy Framework Act, 200  
Occupational Health and Safety Act

#### MEMBERS OF THE ELUNDINI LOCAL MUNICIPALITY

|              |                |
|--------------|----------------|
| Ward 1       | F W Ngayeka    |
| Ward 2       | T J Pikinini   |
| Ward 3       | J M Klaas      |
| Ward 4       | K A Mgijima    |
| Ward 5       | N Kapatile     |
| Ward 6       | C N Mfecane    |
| Ward 7       | A T T Tsolo    |
| Ward 8       | N L Motema     |
| Ward 9       | M Marubelela   |
| Ward 10      | M E Tabana     |
| Ward 11      | V V Majikijela |
| Ward 12      | N Q Lebenya    |
| Ward 13      | S N Mdlazi     |
| Ward 14      | N G Ntaopane   |
| Ward 15      | K W Rabohome   |
| Ward 16      | Z L Thwethiso  |
| Ward 17      | V Ntuthu       |
| Proportional | N R Lengs      |
| Proportional | A M Mqamelo    |
| Proportional | M L Naketsana  |
| Proportional | L S Baduza     |
| Proportional | M Bomela       |
| Proportional | D D Mvumvu     |
| Proportional | E V Zililo     |
| Proportional | N Nkalitshana  |
| Proportional | G M Moni       |
| Proportional | M T Heisi      |
| Proportional | T J Lehata     |
| Proportional | M Magqashela   |
| Proportional | M R Moore      |
| Proportional | L Pili         |
| Proportional | T J Koteli     |
| Proportional | M Tsoananyana  |
| Proportional | M Leteba       |

# ELUNDINI LOCAL MUNICIPALITY

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

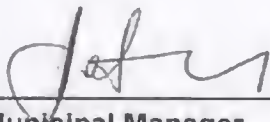
I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 72 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager



30 AUG 2012

Date

**ELUNDINI LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012**

|                                                            | Notes | 2012<br>R          | Restated<br>2011<br>R |
|------------------------------------------------------------|-------|--------------------|-----------------------|
| <b>NET ASSETS AND LIABILITIES</b>                          |       |                    |                       |
| <b>Net Assets</b>                                          |       | <b>368 762 146</b> | <b>362 843 111</b>    |
| Accumulated Surplus                                        |       | 368 762 146        | 362 843 111           |
| <b>Non-Current Liabilities</b>                             |       | <b>9 314 852</b>   | <b>9 281 241</b>      |
| Long-term Liabilities                                      | 2     | 146 783            | 203 732               |
| Employee Benefits                                          | 3     | 2 978 365          | 3 182 553             |
| Non-Current Provisions                                     | 4     | 6 189 704          | 5 894 956             |
| <b>Current Liabilities</b>                                 |       | <b>42 798 381</b>  | <b>34 187 813</b>     |
| Consumer Deposits                                          | 5     | 159 209            | 205 814               |
| Current Employee Benefits                                  | 6     | 8 462 697          | 5 716 078             |
| Payables from Exchange Transactions                        | 7     | 18 510 703         | 12 626 489            |
| Unspent Conditional Government Grants and Receipts         | 8     | 10 880 459         | 15 512 824            |
| Taxes                                                      | 9     | 4 728 365          | -                     |
| Current Portion of Long-term Liabilities                   | 2     | 56 948             | 126 608               |
| <b>Liabilities associated with Discontinued Operations</b> | 35    | <b>1 190 117</b>   | <b>-</b>              |
| <b>Total Net Assets and Liabilities</b>                    |       | <b>422 065 497</b> | <b>406 312 165</b>    |
| <b>ASSETS</b>                                              |       |                    |                       |
| <b>Non-Current Assets</b>                                  |       | <b>348 414 943</b> | <b>346 248 631</b>    |
| Property, Plant and Equipment                              | 10    | 320 193 399        | 318 079 151           |
| Investment Property                                        | 11    | 28 094 168         | 28 169 480            |
| Intangible Assets                                          | 12    | 127 375            | -                     |
| <b>Current Assets</b>                                      |       | <b>70 951 199</b>  | <b>60 063 534</b>     |
| Inventory                                                  | 13    | 8 152 984          | 8 329 813             |
| Receivables from Exchange Transactions                     | 14    | 18 453 185         | 17 947 085            |
| Receivables from Non-exchange Transactions                 | 15    | 3 324 968          | 730 006               |
| Unpaid Conditional Government Grants and Receipts          | 8     | 36                 | 231 709               |
| Taxes                                                      | 9     | -                  | 4 928 355             |
| Cash and Cash Equivalents                                  | 16    | 41 020 026         | 27 896 566            |
| <b>Assets associated with Discontinued Operations</b>      | 35    | <b>2 699 355</b>   | <b>-</b>              |
| <b>Total Assets</b>                                        |       | <b>422 065 497</b> | <b>406 312 165</b>    |

**ELUNDINI LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**

|                                                           | Notes | 2012<br>R          | Restated<br>2011<br>R |
|-----------------------------------------------------------|-------|--------------------|-----------------------|
| <b>REVENUE</b>                                            |       |                    |                       |
| <b>Revenue from Non-exchange Transactions</b>             |       | <b>116 111 535</b> | <b>108 470 177</b>    |
| <b>Taxation Revenue</b>                                   |       | <b>10 650 142</b>  | <b>9 774 023</b>      |
| Property Rates                                            | 17    | 10 650 142         | 9 774 023             |
| <b>Transfer Revenue</b>                                   |       | <b>105 359 639</b> | <b>98 486 784</b>     |
| Government Grants and Subsidies - Capital                 | 18    | 32 797 502         | 41 439 511            |
| Government Grants and Subsidies - Operating               | 18    | 72 499 382         | 56 998 690            |
| Public Contributions and Donations                        |       | 62 755             | 48 583                |
| <b>Other Revenue</b>                                      |       | <b>101 754</b>     | <b>209 370</b>        |
| Actuarial Gains                                           |       | -                  | 80 868                |
| Fines                                                     |       | 101 754            | 128 502               |
| <b>Revenue from Exchange Transactions</b>                 |       | <b>28 907 076</b>  | <b>28 798 051</b>     |
| Service Charges                                           | 19    | 18 376 687         | 17 126 923            |
| Water Services Authority Contribution                     | 20    | -                  | -                     |
| Plant Income                                              | 21    | (1 701)            | -                     |
| Rental of Facilities and Equipment                        |       | 670 661            | 842 578               |
| Interest Earned - external investments                    |       | 2 077 383          | 2 362 053             |
| Interest Earned - outstanding debtors                     |       | 4 721 186          | 5 911 484             |
| Licences and Permits                                      | 22    | 1 703 237          | 1 423 071             |
| Other Income                                              | 23    | 1 359 623          | 1 131 942             |
| <b>Total Revenue</b>                                      |       | <b>145 018 611</b> | <b>137 268 228</b>    |
| <b>EXPENDITURE</b>                                        |       |                    |                       |
| Employee Related Costs                                    | 24    | 39 925 776         | 34 437 823            |
| Remuneration of Councillors                               | 25    | 7 738 431          | 6 983 480             |
| Debt Impairment                                           | 26    | 10 612 511         | 4 458 810             |
| Depreciation and Amortisation                             | 27    | 34 113 301         | 30 937 324            |
| Impairments                                               | 28    | 3 498              | 49 353                |
| Actuarial Loss                                            |       | 305 419            |                       |
| Collection Cost                                           |       | 780 709            | 249 381               |
| Repairs and Maintenance                                   | 29    | 4 265 445          | 1 581 428             |
| Finance Charges                                           | 30    | 616 093            | 578 893               |
| Bulk Purchases                                            | 31    | 13 378 020         | 11 847 738            |
| Grants and Subsidies                                      | 32    | 350 000            | -                     |
| Operating Grant Expenditure                               | 33    | 2 469 072          | 6 446 183             |
| Gain or loss on disposal of Property, Plant and Equipment |       | 97 373             | 281 300               |
| Gain or loss on disposal of Inventory                     |       | 54 926             | 37 482                |
| Gain or loss on disposal of Investment Property           |       | -                  | 10 900                |
| General Expenses                                          | 34    | 28 974 006         | 24 800 015            |
| <b>Total Expenditure</b>                                  |       | <b>143 684 580</b> | <b>122 700 110</b>    |
| <b>NET SURPLUS FOR THE YEAR FROM CONTINUED OPERATIONS</b> |       | <b>1 334 031</b>   | <b>14 568 118</b>     |
| Discontinued Operations                                   | 35    | 4 585 003          | 4 454 553             |
| <b>NET SURPLUS FOR THE YEAR</b>                           |       | <b>5 919 034</b>   | <b>19 022 672</b>     |

# ELUNDINI LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

|                                                    | Accumulated<br>Surplus<br>R |
|----------------------------------------------------|-----------------------------|
| <b>Balance at 1 JULY 2010</b>                      | <b>53 546 290</b>           |
| Prior year error restatement - Refer to note 36.11 | 290 274 145                 |
| Rounding                                           | 4                           |
| <b>Restated Balance at 1 JULY 2010</b>             | <b>343 820 439</b>          |
| Net Surplus for the year                           | 19 022 672                  |
| <b>Balance at 30 JUNE 2011</b>                     | <b>362 843 111</b>          |
| Net Surplus for the year                           | 5 919 034                   |
| Rounding                                           | 2                           |
| <b>Balance at 30 JUNE 2012</b>                     | <b>368 762 146</b>          |

**ELUNDINI LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

|                                                             | Notes     | 2012<br>R           | Restated<br>2011<br>R |
|-------------------------------------------------------------|-----------|---------------------|-----------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |           |                     |                       |
| <b>Receipts</b>                                             |           |                     |                       |
| Rates, Services and Other                                   |           | 31 729 419          | 24 860 327            |
| Government                                                  |           | 100 896 194         | 92 380 970            |
| Interest                                                    |           | 6 798 569           | 8 273 537             |
| <b>Payments</b>                                             |           |                     |                       |
| Suppliers and employees                                     |           | (87 322 116)        | (89 715 099)          |
| Finance charges                                             |           | (616 093)           | (578 893)             |
| <b>Net Cash from Operating Activities</b>                   | <b>37</b> | <b>51 485 974</b>   | <b>35 220 842</b>     |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |           |                     |                       |
| Purchase of Property, Plant and Equipment                   |           | (38 094 775)        | (44 705 900)          |
| Proceeds on Disposal of Property, Plant and Equipment       |           | -                   | 347 314               |
| Proceeds on Disposal of Investment Property                 |           | -                   | 11 600                |
| Purchase of Investment Property                             |           | -                   | (3 226 498)           |
| Purchase of Intangible Assets                               |           | (139 783)           | -                     |
| <b>Net Cash from Investing Activities</b>                   |           | <b>(38 234 558)</b> | <b>(47 573 484)</b>   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                  |           |                     |                       |
| Repayment of Long-term Liabilities                          |           | (126 609)           | (121 134)             |
| (Decrease)/Increase in Consumer Deposits                    |           | (1 347)             | 54 429                |
| <b>Net Cash from Financing Activities</b>                   |           | <b>(127 956)</b>    | <b>(66 705)</b>       |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b> |           | <b>13 123 460</b>   | <b>(12 419 348)</b>   |
| Cash and Cash Equivalents at the beginning of the year      |           | 27 896 566          | 40 315 914            |
| Cash and Cash Equivalents at the end of the year            | <b>38</b> | <b>41 020 026</b>   | <b>27 896 566</b>     |

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

##### 1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

| Standard                       | Description                                                     | Effective Date |
|--------------------------------|-----------------------------------------------------------------|----------------|
| GRAP 1 (Revised – Mar 2012)    | Presentation of Financial Statements                            | 1 April 2013   |
| GRAP 3 (Revised – Mar 2012)    | Accounting Policies, Changes in Accounting Estimates and Errors | 1 April 2013   |
| GRAP 9 (Revised – Mar 2012)    | Revenue from Exchange Transactions                              | 1 April 2013   |
| GRAP 12 (Revised – Mar 2012)   | Inventories                                                     | 1 April 2013   |
| GRAP 13 (Revised – Mar 2012)   | Leases                                                          | 1 April 2013   |
| GRAP 16 (Revised – Mar 2012)   | Investment Property                                             | 1 April 2013   |
| GRAP 17 (Revised – Mar 2012)   | Property, Plant and Equipment                                   | 1 April 2013   |
| GRAP 21 (Original – Mar 2009)  | Impairment of non-cash-generating assets                        | 1 April 2012   |
| GRAP 23 (Original – Feb 2008)  | Revenue from Non-Exchange Transactions                          | 1 April 2012   |
| GRAP 25 (Original – Nov 2009)  | Employee Benefits                                               | 1 April 2013   |
| GRAP 26 (Original – Mar 2009)  | Impairment of cash-generating assets                            | 1 April 2012   |
| GRAP 27 (Revised – Mar 2012)   | Agriculture                                                     | 1 April 2013   |
| GRAP 31 (Revised – Mar 2012)   | Intangible Assets                                               | 1 April 2013   |
| GRAP 104 (Original – Oct 2009) | Financial Instruments                                           | 1 April 2012   |
| IGRAP 16 (Issued – Mar 2012)   | Intangible Assets – Website Costs                               | 1 April 2013   |

## **ELUNDINI LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

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A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Inventory, Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

#### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

#### **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

#### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### **1.5. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

#### **1.6. PRESENTATION OF BUDGET INFORMATION**

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the formats contained in the Municipal Budget Reporting Regulations.

**ELUNDINI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

| <b>Standard</b>                          | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Effective Date</b> |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| <b>GRAP 6<br/>(Revised – Nov 2010)</b>   | <p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p> | <b>Unknown</b>        |
| <b>GRAP 7<br/>(Revised – Mar 2012)</b>   | <p><b>Investments in Associate</b></p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>                                                                                                                                                       | <b>1 April 2013</b>   |
| <b>GRAP 8<br/>(Revised – Nov 2010)</b>   | <p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>                                                                                                                                                    | <b>Unknown</b>        |
| <b>GRAP 18<br/>(Original – Feb 2011)</b> | <p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in of the annual financial statements.</p>                                                                                                                                                                                                                                                                                                                       | <b>Unknown</b>        |

**ELUNDINI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                            |
|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| <p><b>GRAP 24</b><br/><b>(Original – Nov 2007)</b></p>   | <p><b>Presentation of Budget Information in Financial Statements</b></p> <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p> | <p><b>1 April 2012</b></p> |
| <p><b>GRAP 103</b><br/><b>(Original – July 2008)</b></p> | <p><b>Heritage Assets</b></p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>                                                                                                                                                                                                                                                                                                                                                                             | <p><b>1 April 2012</b></p> |
| <p><b>GRAP 105</b><br/><b>(Original – Nov 2010)</b></p>  | <p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>                                                                                                                                                                                                                                                                                                                                    | <p><b>Unknown</b></p>      |
| <p><b>GRAP 106</b><br/><b>(Original – Nov 2010)</b></p>  | <p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>                                                                                                                                                                                                                                                                                                                                           | <p><b>Unknown</b></p>      |

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                 |                                                                                                                                                                                                                                                                                                                                                                   |                |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>GRAP 107</b><br><b>(Original – Nov 2010)</b> | <b>Mergers</b><br>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.<br><br>No significant impact is expected as the Municipality does not participate in such business transactions.                                                                                               | <b>Unknown</b> |
| <b>IGRAP 12</b>                                 | <b>Jointly Controlled Entities non-monetary contributions</b><br>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).<br><br>No significant impact is expected as the Municipality does not have any JCE's at this stage. | <b>Unknown</b> |

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## 1.8. LEASES

### 1.8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### **1.8.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset or liability. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

#### **1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### **1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### 1.11. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### 1.12. EMPLOYEE BENEFITS

##### **(a) *Post Retirement Medical Obligations***

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

##### **(b) *Long Service Awards***

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

##### **(c) *Provision for Staff Leave***

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### **(d) Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

#### **(e) Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrue. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

#### **(f) Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **(g) Other Short-term Employee Benefits**

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

## **1.13. PROPERTY, PLANT AND EQUIPMENT**

### **1.13.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### **1.13.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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**1.13.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

|                                         | <u>Years</u> |
|-----------------------------------------|--------------|
| <b><u>Land and Buildings</u></b>        |              |
| Buildings                               | 100          |
| Capitalised Restoration Costs           | 20           |
| <b><u>Infrastructure</u></b>            |              |
| Electricity                             | 6 - 50       |
| Roads, Pavements, Bridges & Storm Water | 5 -120       |
| <b><u>Leased Assets</u></b>             |              |
| Office Equipment                        | 5            |
| <b><u>Other Assets</u></b>              |              |
| Furniture & Fittings                    | 7            |
| Motor Vehicles                          | 5            |
| Computer Equipment                      | 5            |
| Plant and Machinery                     | 7 - 10       |

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.13.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### **1.13.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For all other assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

#### **1.14. INTANGIBLE ASSETS**

##### **1.14.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

##### **1.14.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### **1.14.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

| <u>Intangible Assets</u> | <u>Years</u> |
|--------------------------|--------------|
| Computer Software        | 5            |

#### **1.14.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.15. INVESTMENT PROPERTY**

##### **1.15.1 Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### **1.15.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **1.15.3 Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

| <u>Investment Property</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings                  | 100          |

#### **1.15.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.15.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

### **1.16. NON-CURRENT ASSETS HELD FOR SALE**

#### **1.16.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### **1.16.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

#### **1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS**

##### **1.17.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.17.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## **1.18. INVENTORIES**

### **1.18.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **1.18.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### **1.18.3 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of inventory could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

#### **1.19. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

##### **1.19.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

##### **1.19.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

###### **1.19.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.19.2.2**      *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.19.2.3**      *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities are carried at amortised cost.

### **1.19.3 De-recognition of Financial Instruments**

#### **1.19.3.1**      *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.19.3.2      Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.19.4    *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### **1.20.    REVENUE**

#### **1.20.1    *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### **1.20.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, it is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.21. RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2<sup>nd</sup> and 3<sup>rd</sup> bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### **1.22. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.23. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.24. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.25. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.26. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information was prepared in accordance with formats contained in the Municipal Budget Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

## 1.27. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

### ***Post-retirement medical obligations and Long service awards***

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

### ***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

### ***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### ***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

#### ***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### ***Inventory***

For deemed cost applied to Inventory as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### ***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### ***Revenue Recognition***

Accounting Policy 1.20.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.20.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the cash basis. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### ***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### ***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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#### ***Provision for Performance bonuses***

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

#### ***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

#### **1.28. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

#### **1.29. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### **1.30. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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**LONG-TERM LIABILITIES**

|                                                                                                 | 2012<br>R       | 2011<br>R        |
|-------------------------------------------------------------------------------------------------|-----------------|------------------|
| Annuity Loans - At amortised cost                                                               | 203 731         | 251 857          |
| Capitalised Lease Liability - At amortised cost                                                 | -               | 78 483           |
|                                                                                                 | <b>203 731</b>  | <b>330 340</b>   |
| <b>Less:</b> Current Portion transferred to Current Liabilities                                 | <b>(56 948)</b> | <b>(126 608)</b> |
| Annuity Loans - At amortised cost                                                               | 56 948          | 48 125           |
| Capitalised Lease Liability - At amortised cost                                                 | -               | 78 483           |
| <b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b> | <b>146 783</b>  | <b>203 732</b>   |

Annuity loans at amortised cost are calculated at 17.36% interest rate, with maturity date of 30 June 2015.  
Capital lease liabilities at amortised cost is calculated at 10% interest rate, with maturity date of 30 June 2012.

The obligations under annuity loans are scheduled below

**Minimum annuity payments**

|                                             |                 |                  |
|---------------------------------------------|-----------------|------------------|
| Amounts payable under annuity loans         |                 |                  |
| Payable within one year                     | 90 022          | 90 022           |
| Payable within two to five years            | 180 044         | 270 066          |
| Payable after five years                    | -               | -                |
|                                             | <b>270 066</b>  | <b>360 088</b>   |
| <b>Less:</b> Future finance obligations     | <b>(66 335)</b> | <b>(108 231)</b> |
| <b>Present value of annuity obligations</b> | <b>203 731</b>  | <b>251 857</b>   |

Annuity loans are unsecured

The obligations under finance leases are scheduled below

**Minimum lease payments**

|                                           |          |                |
|-------------------------------------------|----------|----------------|
| Amounts payable under finance leases      |          |                |
| Payable within one year                   | -        | 82 080         |
| Payable within two to five years          | -        | -              |
| Payable after five years                  | -        | -              |
|                                           | <b>-</b> | <b>82 080</b>  |
| <b>Less:</b> Future finance obligations   | <b>-</b> | <b>(3 597)</b> |
| <b>Present value of lease obligations</b> | <b>-</b> | <b>78 483</b>  |

Leases are secured by Property, Plant and Equipment - Note 10

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**EMPLOYEE BENEFITS**

|                                                                              |                  |                  |
|------------------------------------------------------------------------------|------------------|------------------|
| Post Retirement Medical Obligation - refer to note 3.1                       | 1 664 566        | 1 524 177        |
| Long Service Awards - refer to note 3.2                                      | 1 703 868        | 1 658 376        |
| <b>Total Non-current Employee Benefit Liabilities</b>                        | <b>3 368 434</b> | <b>3 182 553</b> |
| Less: Liabilities associated with Discontinued Operations - note 3           | (390 069)        | -                |
| <b>Total Non-current Employee Benefit Liabilities - Continued Operations</b> | <b>2 978 365</b> | <b>3 182 553</b> |

**Post Retirement Medical Obligation**

|                                                   |                  |                  |
|---------------------------------------------------|------------------|------------------|
| Balance 1 July                                    | 1 628 157        | 1 748 348        |
| Contribution for the year                         | 132 393          | 117 815          |
| Expenditure for the year                          | (97 825)         | (99 582)         |
| Actuarial Loss/(Gain)                             | 114 581          | (138 424)        |
| <b>Total post retirement benefits 30 June</b>     | <b>1 777 306</b> | <b>1 628 157</b> |
| <b>Less:</b> Transfer of Current Portion - Note 6 | <b>(112 740)</b> | <b>(103 980)</b> |
| <b>Balance 30 June</b>                            | <b>1 664 566</b> | <b>1 524 177</b> |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                   | 2012<br>R        | 2011<br>R        |
|---------------------------------------------------|------------------|------------------|
| <b><u>Long Service Awards</u></b>                 |                  |                  |
| Balance 1 July                                    | 1 742 671        | 1 455 713        |
| Contribution for the year                         | 383 712          | 342 945          |
| Expenditure for the year                          | (68 192)         | (113 543)        |
| Actuarial Loss                                    | 190 838          | 57 556           |
| <b>Total long service 30 June</b>                 | <b>2 249 029</b> | <b>1 742 671</b> |
| <b>Less:</b> Transfer of Current Portion - Note 6 | (545 161)        | (84 295)         |
| <b>Balance 30 June</b>                            | <b>1 703 868</b> | <b>1 658 376</b> |

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

|                                                   |                  |                  |
|---------------------------------------------------|------------------|------------------|
| Balance 1 July                                    | 3 370 828        | 3 204 061        |
| Contribution for the year                         | 516 105          | 460 760          |
| Expenditure for the year                          | (166 017)        | (213 125)        |
| Actuarial Loss/(Gain)                             | 305 419          | (80 868)         |
| <b>Total employee benefits 30 June</b>            | <b>4 026 335</b> | <b>3 370 828</b> |
| <b>Less:</b> Transfer of Current Portion - Note 6 | (657 901)        | (188 275)        |
| <b>Balance 30 June</b>                            | <b>3 368 434</b> | <b>3 182 553</b> |

3.1 **Post Retirement Medical Obligation**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

|                                                       |          |          |
|-------------------------------------------------------|----------|----------|
| Continuation members (e.g. Retirees, widows, orphans) | 4        | 4        |
| <b>Total Members</b>                                  | <b>4</b> | <b>4</b> |

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
SAMWU Med  
Key Health  
Hosmed/Medichex

|                                 | 2012<br>% | 2011<br>% |
|---------------------------------|-----------|-----------|
| Key actuarial assumptions used  |           |           |
| <b>i) Rate of interest</b>      |           |           |
| Discount rate                   | 7.22%     | 8.39%     |
| Health Care Cost Inflation Rate | 6.50%     | 7.15%     |
| Net Effective Discount Rate     | 0.68%     | 1.16%     |

**ii) Mortality rates**

The PA 90 ultimate table

|                                                                                       | 2012<br>R        | 2011<br>R        |
|---------------------------------------------------------------------------------------|------------------|------------------|
| <b>The liability recognised in the Statement of Financial Position is as follows:</b> |                  |                  |
| Present value of fund obligations (only continuation members)                         | 1 777 306        | 1 628 157        |
| <b>Total Liability</b>                                                                | <b>1 777 306</b> | <b>1 628 157</b> |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

|                        | 2010<br>R        | 2009<br>R        | 2008<br>R |
|------------------------|------------------|------------------|-----------|
| <b>Total Liability</b> | <b>1 748 348</b> | <b>1 711 641</b> | <b>-</b>  |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                               | 2012<br>R        | 2011<br>R        |
|---------------------------------------------------------------|------------------|------------------|
| <b>Reconciliation of present value of fund obligation:</b>    |                  |                  |
| Present value of fund obligation at the beginning of the year | 1 628 157        | 1 748 348        |
| Total contribution                                            | 34 568           | 18 233           |
| Current service cost                                          | -                | -                |
| Interest Cost                                                 | 132 393          | 117 815          |
| Benefits Paid                                                 | (97 825)         | (99 582)         |
| Actuarial Loss/(Gain)                                         | 114 581          | (138 424)        |
| Present value of fund obligation at the end of the year       | 1 777 306        | 1 628 157        |
| <b>Less:</b> Transfer of Current Portion - Note 6             | (112 740)        | (103 980)        |
| <b>Balance 30 June</b>                                        | <b>1 664 566</b> | <b>1 524 177</b> |

The liability is unfunded

**Sensitivity Analysis on the Accrued Liability**

| Year ending 30 June 2012  | Current Liability<br>(R) | Change   | Liability<br>Change<br>(R) | Change<br>(%) |
|---------------------------|--------------------------|----------|----------------------------|---------------|
| Health Care Inflation     | 1 777 306                | 1%       | 1 981 000                  | 11%           |
| Health Care Inflation     | 1 777 306                | -1%      | 1 603 000                  | -10%          |
| Post-retirement mortality | 1 777 306                | - 1 year | 1 842 000                  | -3%           |

**Sensitivity Analysis on the Interest Costs**

| Year ending 30 June 2012  | Current Interest<br>Cost<br>(R) | Change  | Interest Cost<br>Change<br>(R) | Change<br>(R) |
|---------------------------|---------------------------------|---------|--------------------------------|---------------|
| Health Care Inflation     | 132 393                         | +1%     | 147 900                        | 12%           |
| Health Care Inflation     | 132 393                         | -1%     | 119 200                        | -10%          |
| Post-retirement mortality | 132 393                         | -1 year | 127 800                        | -3%           |

**3.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 223 employees (2011 - 214 employees), but they are not all eligible for payment in the same year.

| Key actuarial assumptions used                                             | 2012<br>% | 2011<br>% |
|----------------------------------------------------------------------------|-----------|-----------|
| <b>i) Rate of interest</b>                                                 |           |           |
| Discount rate                                                              | 6.27%     | 7.62%     |
| General Salary Inflation (long-term)                                       | 5.97%     | 6.23%     |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 0.28%     | 1.31%     |

|                                                                                      | 2012<br>R        | 2011<br>R        |
|--------------------------------------------------------------------------------------|------------------|------------------|
| <b>The amounts recognised in the Statement of Financial Position are as follows:</b> |                  |                  |
| Present value of fund obligations                                                    | 2 249 029        | 1 742 671        |
| <b>Total Liability</b>                                                               | <b>2 249 029</b> | <b>1 742 671</b> |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

|                        | 2010<br>R        | 2009<br>R        | 2008<br>R |
|------------------------|------------------|------------------|-----------|
| <b>Total Liability</b> | <b>1 455 713</b> | <b>1 352 741</b> | <b>-</b>  |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                               | 2012<br>R        | 2011<br>R        |
|---------------------------------------------------------------|------------------|------------------|
| <b>Reconciliation of present value of fund obligation:</b>    |                  |                  |
| Present value of fund obligation at the beginning of the year | 1 742 671        | 1 455 713        |
| Total contribution                                            | 315 520          | 229 402          |
| Current service cost                                          | 254 147          | 228 724          |
| Interest Cost                                                 | 129 565          | 114 221          |
| Benefits Paid                                                 | (68 192)         | (113 543)        |
| Actuarial Loss                                                | 190 838          | 57 556           |
| Present value of fund obligation at the end of the year       | 2 249 029        | 1 742 671        |
| <b>Less:</b> Transfer of Current Portion - Note 6             | (545 161)        | (84 295)         |
| <b>Balance 30 June</b>                                        | <b>1 703 868</b> | <b>1 658 376</b> |

The liability is unfunded

**Sensitivity Analysis on the Unfunded Accrued Liability**

| Year ending 30 June 2012     | Current Liability<br>(R) | Change    | Interest Cost<br>Change<br>(R) | Change<br>(R) |
|------------------------------|--------------------------|-----------|--------------------------------|---------------|
| General Salary Inflation     | 2 249 029                | 1%        | 2 381 000                      | 6%            |
| General Salary Inflation     | 2 249 029                | -1%       | 2 130 000                      | -5%           |
| Average retirement inflation | 2 249 029                | - 2 years | 2 078 000                      | -8%           |
| Average retirement inflation | 2 249 029                | + 2 years | 2 445 000                      | 9%            |
| Withdrawal rates             | 2 249 029                | - 50%     | 2 631 000                      | 17%           |

**Sensitivity Analysis on the Current-service and Interest Costs**

| Year ending 30 June 2012 | Change   | Current Service<br>Cost<br>(R) | Interest Cost<br>(R) | Total<br>(R) | % Change |
|--------------------------|----------|--------------------------------|----------------------|--------------|----------|
| General Salary Inflation | +1%      | 269 610                        | 137 511              | 407 121      | 6%       |
| General Salary Inflation | -1%      | 240 749                        | 122 341              | 363 090      | -5%      |
| Average retirement age   | -2 years | 240 674                        | 119 008              | 359 582      | -6%      |
| Average retirement age   | +2 years | 274 950                        | 140 866              | 415 816      | 8%       |
| Withdrawal Rate          | -50%     | 313 093                        | 151 958              | 465 051      | 21%      |

3.3 Retirement Funds

The Cape Retirement Fund is a multi-employer plan. This means that there are multiple local authorities that participate in this fund. In terms of GRAP 25, this multi-employer plan is defined as a defined benefit plan. GRAP 25 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Retirement Fund's assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension

Therefore, although the Cape Joint Retirement Fund is defined as a defined benefit plan, it will be accounted for as defined contribution plan

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2010 - 100.3%).

|                                                                         |         |         |
|-------------------------------------------------------------------------|---------|---------|
| Contributions paid recognised in the Statement of Financial Performance | 601 381 | 610 339 |
|-------------------------------------------------------------------------|---------|---------|

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                                                                                                                                                                                                                                                                                                        | 2012<br>R        | 2011<br>R        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b><u>DEFINED CONTRIBUTION FUNDS</u></b>                                                                                                                                                                                                                                                                                                                               |                  |                  |
| Council contributes to the SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. |                  |                  |
| Contributions paid recognised in the Statement of Financial Performance:                                                                                                                                                                                                                                                                                               |                  |                  |
| SALA Pension Fund                                                                                                                                                                                                                                                                                                                                                      | 586 514          | 601 235          |
| SAMWU National Provident Fund                                                                                                                                                                                                                                                                                                                                          | 2 415 384        | 2 083 858        |
|                                                                                                                                                                                                                                                                                                                                                                        | <b>3 001 898</b> | <b>2 685 093</b> |

4 **NON-CURRENT PROVISIONS**

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Provision for Rehabilitation of Landfill-sites: | 6 189 704        | 5 894 956        |
| <b>Total Non-current Provision</b>              | <b>6 189 704</b> | <b>5 894 956</b> |

**Landfill Sites**

|                            |                  |                  |
|----------------------------|------------------|------------------|
| Balance 1 July             | 5 894 956        | 5 609 121        |
| Contribution for the year: | 294 748          | 285 835          |
| Expenditure for the year   | -                | -                |
| <b>Balance 30 June</b>     | <b>6 189 704</b> | <b>5 894 956</b> |

The calculation for the rehabilitation of the landfill site provision was compiled by an external specialist who was used to perform a valuation of the estimated annual cost of closure and rehabilitation (recurring costs) for the following landfill sites:

|                  |                  |                  |
|------------------|------------------|------------------|
| - Mount Fletcher | 592 372          | 564 164          |
| - Maclear        | 2 781 962        | 2 649 488        |
| - Ugie           | 2 815 369        | 2 681 304        |
|                  | <b>6 189 704</b> | <b>5 894 956</b> |

No landfill sites are scheduled for closure in the year that would require closure by capping. All sites are to remain operational. Allowance has been made for survey, environmental and community issues in providing cover to the existing waste to a suitable standard.

The quantity of waste deposited on the Elundini sites has been given as 785 tonnes per year (i.e. 3 tonnes a day) for Mt Fletcher and 1350 tonnes per year (i.e. 5 tonnes as day) for Maclear. This will classify the two sites as Communal in size. It is assumed the Ugie site has been classified as Communal. No leachate problems have been reported from the Mt Fletcher and Ugie sites, but the classification indicates Maclear has a leachate issue.

In calculating the provision for rehabilitation, the following four items have been included, viz.

- 1 Direct Contract Cost
- 2 Indirect Professional Fees
- 3 Indirect Disbursements
- 4 Escalation

There are currently three landfill sites in Elundini which service Mount Fletcher, Maclear and Ugie, hence they are named after the town which they service.

**Mt Fletcher Landfill Site:-**

- Size of operational landfill area? 1 500 m<sup>2</sup> (Measured on site)
- Is the site licensed? Yes
- What is the classification of the site? G:C:B-
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No
- If the site is operational, what is the annual tonnage of waste deposited on site? 785 tons
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
- Are there any existing boreholes for monitoring? No
- Is there a monitoring program in place? N/A
- Are there any physical/geographical features that should be taken into consideration? No
- Status of cover material? N/A. Trench System, cover material available from trenching process.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                                                                                                                                                            | 2012<br>R | 2011<br>R |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| <b>Maclear Landfill Site:-</b>                                                                                                                                                                                             |           |           |
| · Size of operational landfill area? 12 000 m <sup>2</sup> (Platform)                                                                                                                                                      |           |           |
| · Is the site licensed? Yes                                                                                                                                                                                                |           |           |
| · What is the classification of the site? G:S:B+                                                                                                                                                                           |           |           |
| · Is the site operational? Yes                                                                                                                                                                                             |           |           |
| · If the site is operational, is there an expected closure date? No – There are plans to "Mothball" the site during 2011 and transport waste to Ugie                                                                       |           |           |
| · If the site is operational, what is the annual tonnage of waste deposited on site? 1350.7 tons                                                                                                                           |           |           |
| · If the site is not operational what was the date the site was last operated? N/A                                                                                                                                         |           |           |
| · Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site                                                                  |           |           |
| · Are there any existing boreholes for monitoring? Yes                                                                                                                                                                     |           |           |
| · Is there a monitoring program in place? No, DWAF take samples periodically. We have requested the District municipality to assist with a monitoring program as they currently take samples of potable water in the area. |           |           |
| · Are there any physical/geographical features that should be taken into consideration? Spring on adjacent farm                                                                                                            |           |           |
| · Status of cover material? Cover material on site, volume unknown                                                                                                                                                         |           |           |

|                                                                                                                                                                                                                          |  |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|
| <b>Ugie Landfill Site:-</b>                                                                                                                                                                                              |  |  |
| · Size of landfill area? 12 000 m <sup>2</sup> (Platform)                                                                                                                                                                |  |  |
| · Is the site licensed? Yes                                                                                                                                                                                              |  |  |
| · What is the classification of the site? G:S:C-                                                                                                                                                                         |  |  |
| · Is the site operational? Yes                                                                                                                                                                                           |  |  |
| · If the site is operational, is there an expected closure date? No                                                                                                                                                      |  |  |
| · If the site is operational, what is the annual tonnage of waste deposited on site? N/A                                                                                                                                 |  |  |
| · If the site is not operational what was the date the site was last operated? N/A                                                                                                                                       |  |  |
| · Is there any hazardous waste on site? There have been small amounts deposited in the past, EHP from District Municipality assist us by monitoring the site.                                                            |  |  |
| · Are there any existing boreholes for monitoring? Yes                                                                                                                                                                   |  |  |
| · Is there a monitoring program in place? No, DWAF take samples periodically. We have request the District Municipality to assist with a monitoring program as they currently take samples of potable water in the area. |  |  |
| · Are there any physical/geographical features that should be taken into consideration? No                                                                                                                               |  |  |
| · Status of cover material? Cover material on site, volume unknown                                                                                                                                                       |  |  |

5 **CONSUMER DEPOSITS**

|                                                           |                |                |
|-----------------------------------------------------------|----------------|----------------|
| Electricity                                               | 133 811        | 131 455        |
| Water                                                     | 25 398         | 28 636         |
| Housing Rental                                            | 45 258         | 45 723         |
| <b>Total Consumer Deposits</b>                            | <b>204 467</b> | <b>205 814</b> |
| Less: Liabilities associated with Discontinued Operations | (45 258)       | -              |
| <b>Total Consumer Deposits - Continued Operations</b>     | <b>159 209</b> | <b>205 814</b> |

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

6 **CURRENT EMPLOYEE BENEFITS**

|                                                                    |                  |                  |
|--------------------------------------------------------------------|------------------|------------------|
| Provision for Performance Bonuses                                  | 2 113 374        | 1 929 827        |
| Bonuses Accrued                                                    | 1 186 589        | 950 851          |
| Provision for Staff Leave                                          | 3 028 036        | 2 553 198        |
| Other Provisions                                                   | 2 031 404        | 93 927           |
| Current Portion of Non-Current Employee Benefit:                   | 657 901          | 188 275          |
| Current Portion of Post Retirement Medical Obligation - Note 3     | 112 740          | 103 980          |
| Current Portion of Long-Service Provisions - Note 3                | 545 161          | 84 295           |
| <b>Total Current Employee Benefits</b>                             | <b>9 017 304</b> | <b>5 716 078</b> |
| Less: Liabilities associated with Discontinued Operations - note 3 | (554 607)        | -                |
| <b>Total Current Employee Benefits - Continued Operations</b>      | <b>8 462 697</b> | <b>5 716 078</b> |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                      | 2012<br>R        | 2011<br>R        |
|----------------------------------------------------------------------|------------------|------------------|
| The movement in current employee benefits are reconciled as follows: |                  |                  |
| <b><u>Provision for Performance Bonuses</u></b>                      |                  |                  |
| Balance at beginning of year                                         | 1 929 827        | 1 198 260        |
| Contribution for the year                                            | 1 307 675        | 1 227 573        |
| Expenditure incurred                                                 | (1 124 128)      | (496 006)        |
| Balance at end of year                                               | <b>2 113 374</b> | <b>1 929 827</b> |

Performance bonuses are being paid to Municipal Manager, Directors, Contract Workers and other Senior Managers after an evaluation of performance.

**Bonuses Accrued**

|                              |                  |                |
|------------------------------|------------------|----------------|
| Balance at beginning of year | 950 851          | 857 741        |
| Contribution for the year    | 1 186 589        | 950 851        |
| Expenditure incurred         | (950 851)        | (857 741)      |
| Balance at end of year       | <b>1 186 589</b> | <b>950 851</b> |

Bonuses are being paid to all municipal staff, excluding the Chief Financial Officer who elected not to structure within package. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

**Provision for Staff Leave**

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Balance at beginning of year | 2 553 198        | 1 702 253        |
| Contribution for the year    | 700 513          | 1 080 652        |
| Expenditure incurred         | (225 675)        | (229 707)        |
| Balance at end of year       | <b>3 028 036</b> | <b>2 553 198</b> |

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**Other Provisions**

|                                                                 |                  |               |
|-----------------------------------------------------------------|------------------|---------------|
| Balance at beginning of year                                    | 93 927           | 311 024       |
| Contribution to current portion - Task Job Evaluation Provision | 1 937 477        | -             |
| Expenditure incurred                                            | -                | (217 097)     |
| Balance at end of year                                          | <b>2 031 404</b> | <b>93 927</b> |
| Shortfall in annual earnings of Cape Joint Pension Fund         | 93 927           | 93 927        |
| TASK Job Evaluation Provision                                   | 1 937 477        | -             |

Other provisions are non-recurring provisions which consists out of the following at year end

**Shortfall in annual earnings of Cape Joint Pension Fund**

It was reported that the established investment return of the fund for the past financial year was -0.94%. Local authorities, including the Economic Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

**TASK Job Evaluation Provision**

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                  | 2012<br>R         | 2011<br>R         |
|--------------------------------------------------|-------------------|-------------------|
| <b>7 PAYABLES FROM EXCHANGE TRANSACTIONS</b>     |                   |                   |
| Trade Payables                                   | 13 188 617        | 7 587 451         |
| As previously reported                           |                   | 5 963 507         |
| Correction of error restatement - note 36.04     |                   | 939 428           |
| Correction of error restatement - note 36.06     |                   | 684 516           |
| Sundry Creditors                                 | -                 | 1 227             |
| Payments received in advance                     | 1 130 683         | 1 533 090         |
| Retentions                                       | 3 652 804         | 3 153 280         |
| As previously reported                           |                   | 3 663 575         |
| Correction of error restatement - note 36.06     |                   | (273 577)         |
| Correction of error restatement - note 36.06     |                   | (236 718)         |
| Bursary Scheme - payments received from students | 23 494            | 43 059            |
| Sundry Deposits                                  | 244 958           | 66 450            |
| Unknown Receipts                                 | 270 147           | 241 932           |
| <b>Total Payables from Exchange Transactions</b> | <b>18 510 703</b> | <b>12 626 489</b> |

Payables are being recognised net of any discounts. Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary. Included in sundry deposits are hall rentals

Deposits amounting to R559 200 serve as security for Payables. The remainder of the Payables are unsecured.

The Municipalities did not default on any of their payments

|                                                             |                   |                   |
|-------------------------------------------------------------|-------------------|-------------------|
| <b>8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b> |                   |                   |
| Unspent Grants                                              | 10 880 459        | 15 512 824        |
| National Government Grants                                  | 681 339           | 220 730           |
| Provincial Government Grants                                | 5 174 041         | 5 404 812         |
| District Municipality Grants                                | 118 696           | 118 696           |
| Other Grant Providers                                       | 4 906 383         | 9 768 586         |
| <b>Less:</b> Unpaid Grants                                  | (36)              | (231 709)         |
| National Government Grants                                  | -                 | (231 673)         |
| Other Grant Providers                                       | (36)              | (36)              |
| <b>Total Conditional Grants and Receipts</b>                | <b>10 880 423</b> | <b>15 281 115</b> |
| Balance as previously reported                              |                   | 15 333 425        |
| Correction of error restatement - note 36.01                |                   | (375 609)         |
| Correction of error restatement - note 36.01                |                   | 323 299           |
|                                                             |                   | <b>15 281 115</b> |

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See appendix "B" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld

|                                                                    |                    |                  |
|--------------------------------------------------------------------|--------------------|------------------|
| <b>9 TAXES</b>                                                     |                    |                  |
| VAT Receivable/(Payable)                                           | (8 651 015)        | (654 736)        |
| As previously reported                                             |                    | (2 472 026)      |
| Correction of error restatement - note 36.03                       |                    | 1 879 959        |
| Correction of error restatement - note 36.06                       |                    | (33 598)         |
| Correction of error restatement - note 36.06                       |                    | (29 071)         |
| Less: VAT on Provision for Debt Impairment                         | 3 722 467          | 5 593 091        |
| Opening balance                                                    | 5 593 091          | 4 276 035        |
| Debt Impairment for current year - refer to note 26                | (1 870 624)        | 1 317 056        |
| VAT Receivable/(Payable)                                           | (4 928 548)        | 4 938 355        |
| PAYE Payable                                                       | -                  | (10 000)         |
| <b>Total Taxes</b>                                                 | <b>(4 928 548)</b> | <b>4 928 355</b> |
| Less: Liabilities associated with Discontinued Operations - note 3 | (200 183)          | -                |
| <b>Total Taxes - Continued Operations</b>                          | <b>(4 728 365)</b> | <b>4 928 355</b> |

VAT is payable/receivable on the cash basis

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

|                                         | Cost               |                   |                  |                            |                    | Accumulated Depreciation |                     |                   |                 |                    | Carrying Value     |
|-----------------------------------------|--------------------|-------------------|------------------|----------------------------|--------------------|--------------------------|---------------------|-------------------|-----------------|--------------------|--------------------|
|                                         | Opening Balance    | Additions         | Disposals        | Transfer to Capital Assets | Closing Balance    | Opening Balance          | Depreciation Charge | Impairment Charge | Disposals       | Closing Balance    |                    |
|                                         | R                  | R                 | R                | R                          | R                  | R                        | R                   | R                 | R               | R                  |                    |
| <b>Land and Buildings</b>               | <b>44 870 685</b>  | <b>2 261 306</b>  | -                | -                          | <b>47 131 991</b>  | <b>1 800 189</b>         | <b>402 690</b>      | <b>3 498</b>      | -               | <b>2 206 378</b>   | <b>44 925 613</b>  |
| Land                                    | 14 323 000         | -                 | -                | -                          | 14 323 000         | -                        | -                   | -                 | -               | -                  | 14 323 000         |
| Buildings                               | 19 418 601         | 237 546           | -                | 8 027 415                  | 27 683 561         | 514 110                  | 207 898             | -                 | -               | 722 008            | 26 961 554         |
| Capitalised Restoration Costs           | 3 995 672          | -                 | -                | -                          | 3 995 672          | 1 286 079                | 194 792             | 3 498             | -               | 1 484 370          | 2 511 302          |
| Work in Progress                        | 7 133 412          | 2 023 761         | -                | (8 027 415)                | 1 129 758          | -                        | -                   | -                 | -               | -                  | 1 129 758          |
| <b>Infrastructure</b>                   | <b>321 593 313</b> | <b>28 889 576</b> | -                | -                          | <b>350 482 889</b> | <b>65 913 378</b>        | <b>31 409 623</b>   | -                 | -               | <b>97 323 001</b>  | <b>253 159 888</b> |
| Electricity                             | 41 668 549         | -                 | -                | 22 647 245                 | 64 315 795         | 3 290 503                | 1 576 822           | -                 | -               | 4 867 325          | 59 448 469         |
| Roads, Pavements, Bridges & Storm Water | 247 627 774        | -                 | -                | 21 715 552                 | 269 343 326        | 62 622 875               | 29 832 801          | -                 | -               | 92 455 676         | 176 887 650        |
| Work in Progress                        | 32 296 990         | 28 889 576        | -                | (44 362 797)               | 16 823 769         | -                        | -                   | -                 | -               | -                  | 16 823 769         |
| <b>Lease Assets</b>                     | <b>282 415</b>     | -                 | -                | -                          | <b>282 415</b>     | <b>169 294</b>           | <b>56 482</b>       | -                 | -               | <b>225 776</b>     | <b>56 639</b>      |
| Office Equipment                        | 282 415            | -                 | -                | -                          | 282 415            | 169 294                  | 56 482              | -                 | -               | 225 776            | 56 639             |
| <b>Other Assets</b>                     | <b>24 954 198</b>  | <b>6 943 892</b>  | <b>(136 370)</b> | -                          | <b>31 761 719</b>  | <b>5 738 598</b>         | <b>4 010 860</b>    | -                 | <b>(38 997)</b> | <b>9 710 460</b>   | <b>22 051 259</b>  |
| Furniture & Fittings                    | 2 320 276          | 712 736           | (62 755)         | -                          | 2 970 258          | 801 886                  | 376 241             | -                 | (4 937)         | 1 173 190          | 1 797 068          |
| Motor Vehicles                          | 7 642 296          | 5 473 580         | (37 800)         | -                          | 13 078 076         | 1 577 957                | 1 509 177           | -                 | (24 494)        | 3 062 639          | 10 015 437         |
| Computer Equipment                      | 1 685 973          | 546 757           | (21 986)         | -                          | 2 210 745          | 589 216                  | 369 764             | -                 | (6 070)         | 952 910            | 1 257 835          |
| Plant and Machinery                     | 13 305 652         | 210 819           | (13 830)         | -                          | 13 502 641         | 2 769 540                | 1 755 678           | -                 | (3 497)         | 4 521 722          | 8 980 919          |
|                                         | <b>391 700 610</b> | <b>38 094 775</b> | <b>(136 370)</b> | -                          | <b>429 659 014</b> | <b>73 621 459</b>        | <b>35 879 655</b>   | <b>3 498</b>      | <b>(38 997)</b> | <b>109 465 615</b> | <b>320 193 399</b> |

The leased property, plant and equipment and the buildings are secured as set out in note 2.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011

Reconciliation of Carrying Value

|                                              | Cost               |                   |             |                            |                    | Accumulated Depreciation |                     |                   |           |                   | Carrying Value     |
|----------------------------------------------|--------------------|-------------------|-------------|----------------------------|--------------------|--------------------------|---------------------|-------------------|-----------|-------------------|--------------------|
|                                              | Opening Balance    | Additions         | Disposals   | Transfer to Capital Assets | Closing Balance    | Opening Balance          | Depreciation Charge | Impairment Charge | Disposals | Closing Balance   |                    |
|                                              | R                  | R                 | R           | R                          | R                  | R                        | R                   | R                 | R         | R                 | R                  |
| <b>Land and Buildings</b>                    | <b>37 936 984</b>  | <b>6 933 701</b>  | <b>-</b>    | <b>-</b>                   | <b>44 870 685</b>  | <b>1 359 287</b>         | <b>391 550</b>      | <b>49 353</b>     | <b>-</b>  | <b>1 800 189</b>  | <b>43 070 495</b>  |
| Land                                         | 14 323 000         | -                 | -           | -                          | 14 323 000         | -                        | -                   | -                 | -         | -                 | 14 323 000         |
| As previously reported                       | 9 735 019          | -                 | (3 840 044) | -                          | 5 894 975          | -                        | -                   | -                 | -         | -                 | 5 894 975          |
| Correction of error restatement - note 36.06 | 4 587 981          | -                 | 3 840 044   | -                          | 8 428 025          | -                        | -                   | -                 | -         | -                 | 8 428 025          |
| Buildings                                    | 19 020 865         | 397 736           | -           | -                          | 19 418 601         | 320 902                  | 193 208             | -                 | -         | 514 110           | 18 904 491         |
| As previously reported                       | 153 995            | 5 669 626         | -           | -                          | 5 823 621          | -                        | -                   | -                 | -         | -                 | 5 823 621          |
| Correction of error restatement - note 36.06 | 18 866 870         | (5 271 890)       | -           | -                          | 13 594 980         | 320 902                  | 193 208             | -                 | -         | 514 110           | 13 080 870         |
| Capitalised Restoration Costs                | 3 995 672          | -                 | -           | -                          | 3 995 672          | 1 038 384                | 198 342             | 49 353            | -         | 1 286 079         | 2 709 592          |
| As previously reported                       | -                  | -                 | -           | -                          | -                  | -                        | -                   | -                 | -         | -                 | -                  |
| Correction of error restatement - note 36.06 | 3 995 672          | -                 | -           | -                          | 3 995 672          | 1 038 384                | 198 342             | 49 353            | -         | 1 286 079         | 2 709 592          |
| Work in Progress                             | 597 447            | 6 535 965         | -           | -                          | 7 133 412          | -                        | -                   | -                 | -         | -                 | 7 133 412          |
| As previously reported                       | -                  | -                 | -           | -                          | -                  | -                        | -                   | -                 | -         | -                 | -                  |
| Correction of error restatement - note 36.06 | 597 447            | 6 535 965         | -           | -                          | 7 133 412          | -                        | -                   | -                 | -         | -                 | 7 133 412          |
| <b>Infrastructure</b>                        | <b>286 765 629</b> | <b>34 827 684</b> | <b>-</b>    | <b>-</b>                   | <b>321 593 313</b> | <b>37 153 751</b>        | <b>28 759 627</b>   | <b>-</b>          | <b>-</b>  | <b>65 913 378</b> | <b>255 679 935</b> |
| Electricity                                  | 36 831 128         | -                 | -           | 4 837 421                  | 41 668 549         | 2 145 427                | 1 145 076           | -                 | -         | 3 290 503         | 38 378 047         |
| As previously reported                       | 3 686 632          | 19 293 849        | -           | -                          | 22 980 481         | -                        | -                   | -                 | -         | -                 | 22 980 481         |
| Correction of error restatement - note 36.06 | 33 144 496         | (19 293 849)      | -           | 4 837 421                  | 18 688 068         | 2 145 427                | 1 145 076           | -                 | -         | 3 290 503         | 15 397 566         |
| Roads, Pavements, Bridges & Storm Water      | 228 272 131        | -                 | -           | 19 355 643                 | 247 627 774        | 35 008 324               | 27 614 551          | -                 | -         | 62 622 875        | 185 004 898        |
| As previously reported                       | 13 029 536         | 17 461 988        | -           | -                          | 30 491 524         | -                        | -                   | -                 | -         | -                 | 30 491 524         |
| Correction of error restatement - note 36.06 | 215 242 595        | (17 461 988)      | -           | 19 355 643                 | 217 136 250        | 35 008 324               | 27 614 551          | -                 | -         | 62 622 875        | 154 513 374        |
| Work in progress                             | 21 662 369         | 34 827 684        | -           | (24 193 064)               | 32 296 990         | -                        | -                   | -                 | -         | -                 | 32 296 990         |
| As previously reported                       | -                  | -                 | -           | -                          | -                  | -                        | -                   | -                 | -         | -                 | -                  |
| Correction of error restatement - note 36.06 | 21 662 369         | 34 827 684        | -           | (24 193 064)               | 32 296 990         | -                        | -                   | -                 | -         | -                 | 32 296 990         |
| <b>Lease Assets</b>                          | <b>282 415</b>     | <b>-</b>          | <b>-</b>    | <b>-</b>                   | <b>282 415</b>     | <b>112 811</b>           | <b>56 483</b>       | <b>-</b>          | <b>-</b>  | <b>169 294</b>    | <b>113 121</b>     |
| Office Equipment                             | 282 415            | -                 | -           | -                          | 282 415            | 112 811                  | 56 483              | -                 | -         | 169 294           | 113 121            |
| As previously reported                       | 282 415            | -                 | -           | -                          | 282 415            | -                        | -                   | -                 | -         | -                 | 282 415            |
| Correction of error restatement - note 36.06 | -                  | -                 | -           | -                          | -                  | 112 811                  | 56 483              | -                 | -         | 169 294           | (169 294)          |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011 (continued)

Reconciliation of Carrying Value

|                                              | Cost            |             |           |                            |                 | Accumulated Depreciation |                     |                   |           |                 | Carrying Value |
|----------------------------------------------|-----------------|-------------|-----------|----------------------------|-----------------|--------------------------|---------------------|-------------------|-----------|-----------------|----------------|
|                                              | Opening Balance | Additions   | Disposals | Transfer to Capital Assets | Closing Balance | Opening Balance          | Depreciation Charge | Impairment Charge | Disposals | Closing Balance |                |
|                                              | R               | R           | R         | R                          | R               | R                        | R                   | R                 | R         | R               |                |
| <b>Community Assets</b>                      | -               | -           | -         | -                          | -               | -                        | -                   | -                 | -         | -               | -              |
| Cemeteries                                   | -               | -           | -         | -                          | -               | -                        | -                   | -                 | -         | -               | -              |
| As previously reported                       | 120 918         | -           | -         | -                          | 120 918         | -                        | -                   | -                 | -         | -               | 120 918        |
| Correction of error restatement - note 36.06 | (120 918)       | -           | -         | -                          | (120 918)       | -                        | -                   | -                 | -         | -               | (120 918)      |
| Civic Building                               | -               | -           | -         | -                          | -               | -                        | -                   | -                 | -         | -               | -              |
| As previously reported                       | 833 398         | -           | -         | -                          | 833 398         | -                        | -                   | -                 | -         | -               | 833 398        |
| Correction of error restatement - note 36.06 | (833 398)       | -           | -         | -                          | (833 398)       | -                        | -                   | -                 | -         | -               | (833 398)      |
| Community Halls                              | -               | -           | -         | -                          | -               | -                        | -                   | -                 | -         | -               | -              |
| As previously reported                       | 1 643 583       | 1 034 297   | -         | -                          | 2 677 880       | -                        | -                   | -                 | -         | -               | 2 677 880      |
| Correction of error restatement - note 36.06 | (1 643 583)     | (1 034 297) | -         | -                          | (2 677 880)     | -                        | -                   | -                 | -         | -               | (2 677 880)    |
| Markets                                      | -               | -           | -         | -                          | -               | -                        | -                   | -                 | -         | -               | -              |
| As previously reported                       | 734 458         | 215 551     | -         | -                          | 950 009         | -                        | -                   | -                 | -         | -               | 950 009        |
| Correction of error restatement - note 36.06 | (734 458)       | (215 551)   | -         | -                          | (950 009)       | -                        | -                   | -                 | -         | -               | (950 009)      |
| Parks & Gardens                              | -               | -           | -         | -                          | -               | -                        | -                   | -                 | -         | -               | -              |
| As previously reported                       | 400 357         | 17 600      | -         | -                          | 417 957         | -                        | -                   | -                 | -         | -               | 417 957        |
| Correction of error restatement - note 36.06 | (400 357)       | (17 600)    | -         | -                          | (417 957)       | -                        | -                   | -                 | -         | -               | (417 957)      |
| Public Conveniences & Bathhouses             | -               | -           | -         | -                          | -               | -                        | -                   | -                 | -         | -               | -              |
| As previously reported                       | 5               | -           | -         | -                          | 5               | -                        | -                   | -                 | -         | -               | 5              |
| Correction of error restatement - note 36.06 | (5)             | -           | -         | -                          | (5)             | -                        | -                   | -                 | -         | -               | (5)            |
| Recreational Grounds                         | -               | -           | -         | -                          | -               | -                        | -                   | -                 | -         | -               | -              |
| As previously reported                       | 7               | -           | -         | -                          | 7               | -                        | -                   | -                 | -         | -               | 7              |
| Correction of error restatement - note 36.06 | (7)             | -           | -         | -                          | (7)             | -                        | -                   | -                 | -         | -               | (7)            |
| Town Library                                 | -               | -           | -         | -                          | -               | -                        | -                   | -                 | -         | -               | -              |
| As previously reported                       | 160 558         | -           | -         | -                          | 160 558         | -                        | -                   | -                 | -         | -               | 160 558        |
| Correction of error restatement - note 36.06 | (160 558)       | -           | -         | -                          | (160 558)       | -                        | -                   | -                 | -         | -               | (160 558)      |
| Transport Facilities                         | -               | -           | -         | -                          | -               | -                        | -                   | -                 | -         | -               | -              |
| As previously reported                       | 3               | -           | -         | -                          | 3               | -                        | -                   | -                 | -         | -               | 3              |
| Correction of error restatement - note 36.06 | (3)             | -           | -         | -                          | (3)             | -                        | -                   | -                 | -         | -               | (3)            |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011 (continued)

Reconciliation of Carrying Value

| Reconciliation of Carrying Value             | Cost            |            |           |                            |                 | Accumulated Depreciation |                     |                   |           |                 | Carrying Value |
|----------------------------------------------|-----------------|------------|-----------|----------------------------|-----------------|--------------------------|---------------------|-------------------|-----------|-----------------|----------------|
|                                              | Opening Balance | Additions  | Disposals | Transfer to Capital Assets | Closing Balance | Opening Balance          | Depreciation Charge | Impairment Charge | Disposals | Closing Balance |                |
|                                              | R               | R          | R         | R                          | R               | R                        | R                   | R                 | R         | R               |                |
| Other Assets                                 | 22 570 023      | 2 944 515  | (560 340) | -                          | 24 954 198      | 2 603 508                | 3 414 130           | -                 | (279 040) | 5 738 598       | 19 215 600     |
| Furniture & Fittings                         | 2 109 531       | 262 402    | (51 657)  | -                          | 2 320 276       | 514 235                  | 308 655             | -                 | (21 005)  | 801 886         | 1 518 391      |
| As previously reported                       | 1 063 379       | 299 497    | (44 982)  | -                          | 1 317 894       | -                        | -                   | -                 | -         | -               | 1 317 894      |
| Correction of error restatement - note 36.06 | 1 046 152       | (37 095)   | (6 675)   | -                          | 1 002 382       | 514 235                  | 308 655             | -                 | (21 005)  | 801 886         | 200 497        |
| Motor Vehicles                               | 6 163 883       | 1 905 917  | (427 504) | -                          | 7 642 296       | 697 520                  | 1 111 078           | -                 | (230 641) | 1 577 957       | 6 064 340      |
| As previously reported                       | 2 840 377       | 1 905 917  | -         | -                          | 4 746 294       | -                        | -                   | -                 | -         | -               | 4 746 294      |
| Correction of error restatement - note 36.06 | 3 323 506       | -          | (427 504) | -                          | 2 896 002       | 697 520                  | 1 111 078           | -                 | (230 641) | 1 577 957       | 1 318 045      |
| Computer Equipment                           | 1 169 147       | 570 089    | (53 263)  | -                          | 1 685 973       | 339 284                  | 269 079             | -                 | (19 147)  | 589 216         | 1 096 758      |
| As previously reported                       | 1 266 810       | 570 089    | (53 948)  | -                          | 1 782 951       | -                        | -                   | -                 | -         | -               | 1 782 951      |
| Correction of error restatement - note 36.06 | (97 663)        | -          | 685       | -                          | (96 977)        | 339 284                  | 269 079             | -                 | (19 147)  | 589 216         | (686 193)      |
| Plant and Machinery                          | 13 127 461      | 206 106    | (27 916)  | -                          | 13 305 652      | 1 052 470                | 1 725 317           | -                 | (8 247)   | 2 769 540       | 10 536 112     |
| As previously reported                       | 16 251 242      | 172 523    | (495 149) | -                          | 15 928 616      | -                        | -                   | -                 | -         | -               | 15 928 616     |
| Correction of error restatement - note 36.06 | (3 123 781)     | 33 583     | 467 233   | -                          | (2 622 964)     | 1 052 470                | 1 725 317           | -                 | (8 247)   | 2 769 540       | (5 392 504)    |
|                                              | 347 555 050     | 44 705 900 | (560 340) | -                          | 391 700 610     | 41 229 357               | 32 621 790          | 49 353            | (279 040) | 73 621 459      | 318 079 151    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11

**INVESTMENT PROPERTY****Net Carrying amount at 1 July**

Cost

As previously reported  
Correction of error restatement - note 36.07

Accumulated Depreciation

As previously reported  
Correction of error restatement - note 36.07

Acquisitions

Depreciation

As previously reported  
Correction of error restatement - note 36.07

Disposals

As previously reported  
Correction of error restatement - note 36.07

**Net Carrying amount at 30 June**

Cost

Accumulated Depreciation

Revenue derived from the rental of investment property

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

12

**INTANGIBLE ASSETS****Computer Software****Net Carrying amount at 1 July**

Cost

As previously reported  
Correction of error restatement - note 36.08

Accumulated Amortisation

Acquisitions

Amortisation

**Net Carrying amount at 30 June**

Cost

Accumulated Amortisation

No intangible asset were assessed having an indefinite useful life

There are no internally generated intangible assets at reporting date

There are no intangible assets whose title is restricted

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets

|                                                        | 2012<br>R         | 2011<br>R         |
|--------------------------------------------------------|-------------------|-------------------|
| <b>Net Carrying amount at 1 July</b>                   | <b>28 169 480</b> | <b>25 040 588</b> |
| Cost                                                   | 28 394 798        | 25 190 800        |
| As previously reported                                 |                   | 73                |
| Correction of error restatement - note 36.07           |                   | 25 190 727        |
| Accumulated Depreciation                               | (225 318)         | (150 212)         |
| As previously reported                                 |                   | -                 |
| Correction of error restatement - note 36.07           |                   | (150 212)         |
| Acquisitions                                           | -                 | 3 226 498         |
| Depreciation                                           | (75 312)          | (75 106)          |
| As previously reported                                 |                   | -                 |
| Correction of error restatement - note 36.07           |                   | (75 106)          |
| Disposals                                              |                   | (22 500)          |
| As previously reported                                 |                   | -                 |
| Correction of error restatement - note 36.07           |                   | (22 500)          |
| <b>Net Carrying amount at 30 June</b>                  | <b>28 094 168</b> | <b>28 169 480</b> |
| Cost                                                   | 28 394 798        | 28 394 798        |
| Accumulated Depreciation                               | (300 630)         | (225 318)         |
| Revenue derived from the rental of investment property | 670 661           | 842 578           |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                                                                                                                                                                                                                                       | 2012<br>R         | 2011<br>R         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>13 INVENTORY</b>                                                                                                                                                                                                                                                                                   |                   |                   |
| Fuel and oil                                                                                                                                                                                                                                                                                          | 40 346            | 166 716           |
| Consumable Stores                                                                                                                                                                                                                                                                                     | 1 327 412         | 647 548           |
| As previously reported                                                                                                                                                                                                                                                                                |                   | 10 316            |
| Correction of error restatement - note 36.05                                                                                                                                                                                                                                                          |                   | 637 232           |
| Land held for sale                                                                                                                                                                                                                                                                                    | 7 363 000         | 7 488 500         |
| As previously reported                                                                                                                                                                                                                                                                                |                   | 555               |
| Correction of error restatement - note 36.05                                                                                                                                                                                                                                                          |                   | 7 487 945         |
| Water                                                                                                                                                                                                                                                                                                 | 21 634            | 27 049            |
| As previously reported                                                                                                                                                                                                                                                                                |                   | 1                 |
| Correction of error restatement - note 36.05                                                                                                                                                                                                                                                          |                   | 27 048            |
| <b>Total Inventory</b>                                                                                                                                                                                                                                                                                | <b>8 752 392</b>  | <b>8 329 813</b>  |
| Less: Assets associated with Discontinued Operations - note 36.05                                                                                                                                                                                                                                     | (599 408)         | -                 |
| <b>Total Inventory - Continued Operations</b>                                                                                                                                                                                                                                                         | <b>8 152 984</b>  | <b>8 329 813</b>  |
| No inventory assets were pledged as security for liabilities                                                                                                                                                                                                                                          |                   |                   |
| <b>14 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>                                                                                                                                                                                                                                                      |                   |                   |
| Electricity                                                                                                                                                                                                                                                                                           | 9 891 312         | 11 848 049        |
| As previously reported                                                                                                                                                                                                                                                                                |                   | 11 952 929        |
| Correction of error restatement - note 36.02                                                                                                                                                                                                                                                          |                   | (104 880)         |
| Water                                                                                                                                                                                                                                                                                                 | 6 438 484         | 5 808 038         |
| As previously reported                                                                                                                                                                                                                                                                                |                   | 5 840 229         |
| Correction of error restatement - note 36.02                                                                                                                                                                                                                                                          |                   | (32 191)          |
| Refuse                                                                                                                                                                                                                                                                                                | 19 094 907        | 23 846 368        |
| As previously reported                                                                                                                                                                                                                                                                                |                   | 23 898 894        |
| Correction of error restatement - note 36.02                                                                                                                                                                                                                                                          |                   | (52 526)          |
| Sewerage                                                                                                                                                                                                                                                                                              | 764 729           | 600 171           |
| As previously reported                                                                                                                                                                                                                                                                                |                   | 616 353           |
| Correction of error restatement - note 36.02                                                                                                                                                                                                                                                          |                   | (16 182)          |
| Other                                                                                                                                                                                                                                                                                                 | 14 675 222        | 15 882 656        |
| As previously reported                                                                                                                                                                                                                                                                                |                   | 15 920 746        |
| Correction of error restatement - note 36.02                                                                                                                                                                                                                                                          |                   | (38 091)          |
| <b>Total Receivables from Exchange Transactions</b>                                                                                                                                                                                                                                                   | <b>50 864 654</b> | <b>57 985 282</b> |
| Less: Allowance for Doubtful Debts                                                                                                                                                                                                                                                                    | (30 311 522)      | (40 038 197)      |
| <b>Total Net Receivables from Exchange Transactions</b>                                                                                                                                                                                                                                               | <b>20 553 132</b> | <b>17 947 085</b> |
| Less: Assets associated with Discontinued Operations - note 36.05                                                                                                                                                                                                                                     | (2 099 947)       | -                 |
| <b>Total Net Receivables from Exchange Transactions - Continued Operations</b>                                                                                                                                                                                                                        | <b>18 453 185</b> | <b>17 947 085</b> |
| Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary. |                   |                   |
| <b>Reconciliation of Allowance for doubtful debts</b>                                                                                                                                                                                                                                                 |                   |                   |
| Balance at beginning of year                                                                                                                                                                                                                                                                          | 40 038 197        | 34 051 586        |
| Contribution to provision                                                                                                                                                                                                                                                                             | 10 676 897        | 9 579 995         |
| Debt Impairment written off against provision                                                                                                                                                                                                                                                         | (20 403 572)      | (3 593 384)       |
| <b>Balance at end of year</b>                                                                                                                                                                                                                                                                         | <b>30 311 522</b> | <b>40 038 197</b> |
| Electricity                                                                                                                                                                                                                                                                                           | 7 468 317         | 10 029 388        |
| Water                                                                                                                                                                                                                                                                                                 | 4 965 749         | 4 682 881         |
| Refuse                                                                                                                                                                                                                                                                                                | 15 350 991        | 21 670 080        |
| Sewerage                                                                                                                                                                                                                                                                                              | 599 974           | 470 241           |
| Other                                                                                                                                                                                                                                                                                                 | 1 926 491         | 3 185 607         |

Concentrations of credit risk with respect to Receivables from exchange transactions are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| Service Receivables                                     | Gross Balance<br>R | Allowance for<br>Doubtful Debts<br>R | Net balance<br>R  |
|---------------------------------------------------------|--------------------|--------------------------------------|-------------------|
| <b>2012</b>                                             |                    |                                      |                   |
| Electricity                                             | 9 891 312          | (7 468 317)                          | 2 422 995         |
| Water                                                   | 6 438 484          | (4 965 749)                          | 1 472 735         |
| Refuse                                                  | 19 094 907         | (15 350 991)                         | 3 743 916         |
| Sewerage                                                | 764 729            | (599 974)                            | 164 755           |
| Other                                                   | 14 675 222         | (1 926 491)                          | 12 748 731        |
| <b>Total</b>                                            | <b>50 864 654</b>  | <b>(30 311 522)</b>                  | <b>20 553 132</b> |
| <b>2011</b>                                             |                    |                                      |                   |
| Electricity                                             | 11 848 049         | (10 029 388)                         | 1 818 661         |
| Water                                                   | 5 808 038          | (4 682 881)                          | 1 125 157         |
| Refuse                                                  | 23 846 368         | (21 670 080)                         | 2 176 288         |
| Sewerage                                                | 600 171            | (470 241)                            | 129 930           |
| Other                                                   | 15 882 656         | (3 185 607)                          | 12 697 049        |
| <b>Total</b>                                            | <b>57 985 282</b>  | <b>(40 038 197)</b>                  | <b>17 947 085</b> |
|                                                         |                    | <b>2012<br/>R</b>                    | <b>2011<br/>R</b> |
| <b>Ageing of Receivables from Exchange Transactions</b> |                    |                                      |                   |
| <b><u>(Electricity): Ageing</u></b>                     |                    |                                      |                   |
| Current (0 - 30 days)                                   |                    | 646 196                              | 636 239           |
| 31 to 60 days                                           |                    | 400 373                              | 431 015           |
| 61 to 90 days                                           |                    | 207 916                              | 397 035           |
| 91 to 120 days                                          |                    | 147 129                              | 384 819           |
| 121 to 150 days                                         |                    | 138 144                              | 351 716           |
| >150 days                                               |                    | 8 351 554                            | 9 647 224         |
| <b>Total</b>                                            |                    | <b>9 891 312</b>                     | <b>11 848 049</b> |
| <b><u>(Water): Ageing</u></b>                           |                    |                                      |                   |
| Current (0 - 30 days)                                   |                    | 300 348                              | 452 890           |
| 31 to 60 days                                           |                    | 147 229                              | 331 336           |
| 61 to 90 days                                           |                    | 862 871                              | 366 402           |
| 91 to 120 days                                          |                    | 52 668                               | 303 047           |
| 121 to 150 days                                         |                    | 63 712                               | 293 400           |
| >150 days                                               |                    | 5 011 656                            | 4 060 963         |
| <b>Total</b>                                            |                    | <b>6 438 484</b>                     | <b>5 808 038</b>  |
| <b><u>(Refuse): Ageing</u></b>                          |                    |                                      |                   |
| Current (0 - 30 days)                                   |                    | 679 474                              | 744 592           |
| 31 to 60 days                                           |                    | 575 615                              | 695 858           |
| 61 to 90 days                                           |                    | 156 488                              | 688 306           |
| 91 to 120 days                                          |                    | 153 793                              | 671 495           |
| 121 to 150 days                                         |                    | 150 304                              | 665 783           |
| >150 days                                               |                    | 17 379 232                           | 20 380 334        |
| <b>Total</b>                                            |                    | <b>19 094 907</b>                    | <b>23 846 368</b> |
| <b><u>(Sewerage): Ageing</u></b>                        |                    |                                      |                   |
| Current (0 - 30 days)                                   |                    | 77 897                               | 33 545            |
| 31 to 60 days                                           |                    | 62 260                               | 58 926            |
| 61 to 90 days                                           |                    | 35 462                               | 21 125            |
| 91 to 120 days                                          |                    | 34 046                               | 23 031            |
| 121 to 150 days                                         |                    | 34 759                               | 26 296            |
| >150 days                                               |                    | 520 306                              | 437 248           |
| <b>Total</b>                                            |                    | <b>764 729</b>                       | <b>600 171</b>    |
| <b><u>(Other): Ageing</u></b>                           |                    |                                      |                   |
| Current (0 - 30 days)                                   |                    | 2 525 534                            | 11 158 586        |
| 31 to 60 days                                           |                    | 862 839                              | 251 904           |
| 61 to 90 days                                           |                    | 1 053 066                            | 227 551           |
| 91 to 120 days                                          |                    | 638 936                              | 44 422            |
| 121 to 150 days                                         |                    | 1 935 958                            | 40 269            |
| >150 days                                               |                    | 7 658 889                            | 4 159 925         |
| <b>Total</b>                                            |                    | <b>14 675 222</b>                    | <b>15 882 656</b> |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

|                                                             | 2012<br>R         | 2011<br>R         |
|-------------------------------------------------------------|-------------------|-------------------|
| Rates                                                       | 12 910 344        | 11 968 023        |
| As previously reported                                      |                   | 12 111 406        |
| Correction of error restatement - note 36.02                |                   | (143 383)         |
| Other Receivables                                           | 646 532           | 53 978            |
| RD Cheques                                                  | 32 745            | (609)             |
| Underbanking of Cash                                        | 54 587            | 54 587            |
| Deposits                                                    | 559 200           | -                 |
| <b>Total Receivables from Non-Exchange Transactions</b>     | <b>13 556 876</b> | <b>12 022 001</b> |
| Less: Allowance for Doubtful Debts                          | (10 231 908)      | (11 291 995)      |
| <b>Total Net Receivables from Non-Exchange Transactions</b> | <b>3 324 968</b>  | <b>730 006</b>    |

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Reconciliation of Allowance for doubtful debts

|                                               |                   |                   |
|-----------------------------------------------|-------------------|-------------------|
| Balance at beginning of year                  | 11 291 995        | 12 846 024        |
| Reversal of provision - note 26               | (910 261)         | (1 323 446)       |
| Debt Impairment written off against provision | (149 826)         | (230 583)         |
| <b>Balance at end of year</b>                 | <b>10 231 908</b> | <b>11 291 995</b> |
| Rates                                         | (10 231 908)      | 11 291 995        |

Concentrations of credit risk with respect to receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.

|                      | Gross Balance<br>R | Allowance for<br>Doubtful Debts<br>R | Net balance<br>R |
|----------------------|--------------------|--------------------------------------|------------------|
| <b>2012</b>          |                    |                                      |                  |
| Rates                | 12 910 344         | (10 231 908)                         | 2 678 436        |
| Other Receivables    | 646 532            | -                                    | 646 532          |
| RD Cheques           | 32 745             | -                                    | 32 745           |
| Underbanking of Cash | 54 587             | -                                    | 54 587           |
| Deposits             | 559 200            | -                                    | 559 200          |
| <b>Total</b>         | <b>13 556 876</b>  | <b>(10 231 908)</b>                  | <b>3 324 968</b> |
| <b>2011</b>          |                    |                                      |                  |
| Rates                | 11 968 023         | (11 291 995)                         | 676 028          |
| Other Receivables    | 53 978             | -                                    | 53 978           |
| RD Cheques           | (609)              | -                                    | (609)            |
| Underbanking of Cash | 54 587             | -                                    | 54 587           |
| <b>Total</b>         | <b>12 022 001</b>  | <b>(11 291 995)</b>                  | <b>730 006</b>   |

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

|                       |                   |                   |
|-----------------------|-------------------|-------------------|
| Current (0 - 30 days) | 45 162            | 99 759            |
| 31 to 60 days         | 332 461           | 320 741           |
| 61 to 90 days         | 200 712           | 279 187           |
| 91 to 120 days        | 196 208           | 273 797           |
| 121 to 150 days       | 234 097           | 239 830           |
| >150 days             | 11 901 704        | 10 754 709        |
| <b>Total</b>          | <b>12 910 344</b> | <b>11 968 023</b> |

(Other Receivables): Ageing

|                       |                |               |
|-----------------------|----------------|---------------|
| Current (0 - 30 days) | -              | -             |
| 31 to 60 days         | -              | -             |
| 61 to 90 days         | -              | -             |
| 91 to 120 days        | -              | -             |
| 121 to 150 days       | -              | -             |
| >150 days             | 646 532        | 53 978        |
| <b>Total</b>          | <b>646 532</b> | <b>53 978</b> |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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CASH AND CASH EQUIVALENTS

**Assets**

|                                                 | 2012<br>R         | 2011<br>R         |
|-------------------------------------------------|-------------------|-------------------|
| Call Investment Deposits                        | 37 584 839        | 22 441 664        |
| Primary Bank Account                            | 3 433 016         | 5 451 051         |
| Cash Floats                                     | 2 171             | 3 851             |
| <b>Total Cash and Cash Equivalents - Assets</b> | <b>41 020 026</b> | <b>27 896 566</b> |

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R10 880 458 are held to fund the Unspent Conditional Grants (2011: R15 512 824).

The Municipality has the following bank accounts

**Current Accounts**

|                                          |                  |                  |
|------------------------------------------|------------------|------------------|
| First National Bank - Acc no 62159933772 | 490 822          | 4 485 484        |
| First National Bank - Acc no 6231215184€ | 2 012            | -                |
| Standard Bank - Acc no 280642407         | 2 940 182        | 965 567          |
|                                          | <b>3 433 016</b> | <b>5 451 051</b> |

**First National Bank - Acc no 62159933772**

|                                             |           |             |
|---------------------------------------------|-----------|-------------|
| Cash book balance at beginning of year      | 4 485 484 | (3 894 051) |
| Cash book balance at end of year            | 352 405   | 4 485 484   |
| Bank statement balance at beginning of year | 5 385 159 | 726 052     |
| Bank statement balance at end of year       | 352 489   | 5 385 159   |

**First National Bank - Acc no 6231215184€**

|                                             |       |   |
|---------------------------------------------|-------|---|
| Cash book balance at beginning of year      | -     | - |
| Cash book balance at end of year            | 2 012 | - |
| Bank statement balance at beginning of year | -     | - |
| Bank statement balance at end of year       | 2 012 | - |

**Standard Bank - Acc no 280642407**

|                                             |           |           |
|---------------------------------------------|-----------|-----------|
| Cash book balance at beginning of year      | 965 567   | 2 803 019 |
| Cash book balance at end of year            | 2 940 182 | 965 567   |
| Bank statement balance at beginning of year | 7 642     | 2 802 769 |
| Bank statement balance at end of year       | 2 940 182 | 7 642     |

**Call Investment Deposits**

Call investment deposits consist out of the following accounts

|                                     |                               |                   |                   |
|-------------------------------------|-------------------------------|-------------------|-------------------|
| Standard Bank - Acc no 388497173001 | - Elundini Expan Public Works | 498 160           | 246 833           |
| Standard Bank - Acc no 388492554001 | - Elundini Housing            | 71 882            | 74 386            |
| Standard Bank - Acc no 388497165001 | - Elundini Voting Station     | 479 882           | 479 336           |
| Standard Bank - Acc no 388490772001 | - European Union Funding      | -                 | 9 463             |
| Standard Bank - Acc no 388493410002 | - FMG                         | 794 729           | 793 367           |
| Standard Bank - Acc no 388492570001 | - Housing Pilot               | 113 663           | 117 890           |
| Standard Bank - Acc no 388492716001 | - Katlehong Planning          | 2 795             | 2 837             |
| Standard Bank - Acc no 388492406001 | - Leave Reserve               | 12 133            | 12 317            |
| Standard Bank - Acc no 388493410001 | - LED                         | 55 282            | 39 743            |
| Standard Bank - Acc no 388494255001 | - Library                     | 108 106           | 554 420           |
| Standard Bank - Acc no 388493003001 | - Maclear Greenfields         | 673 617           | 707 651           |
| Standard Bank - Acc no 388492325001 | - MSIG                        | 740 083           | 237 564           |
| Standard Bank - Acc no 388494387001 | - MSP                         | 1 643 121         | 1 730 246         |
| Standard Bank - Acc no 388493240003 | - Mount Fletcher Youth Centre | -                 | 108 804           |
| Standard Bank - Acc no 388490810001 | - NER                         | 5 364 213         | 1 211 072         |
| Standard Bank - Acc no 388492759001 | - Revolving Fund              | 107 332           | 107 062           |
| Standard Bank - Acc no 388493518001 | - Tourism                     | 544 249           | 806 403           |
| Standard Bank - Acc no 388492481001 | - Training                    | -                 | 6 633             |
| FNB - Acc no 62189194170            | - Equitable Share             | 179 310           | 661 689           |
| FNB - Acc no 62246726197            | - Furniture Man Project       | 979 581           | 1 557 742         |
| FNB - Acc no 62246719176            | - Hawkers Stall               | 2 690 973         | 1 835 681         |
| FNB - Acc no 62268631259            | - Madiba Corridor             | -                 | 480 847           |
| FNB - Acc no 62189180011            | - MIG                         | 2 072 730         | 19 617            |
| FNB - Acc no 62258379174            | - Plant and Machinery         | -                 | 10 000            |
| FNB - Acc no 62268632934            | - Ward Functions              | 42 322            | 255 640           |
| FNB - Acc no 62314984106            | - IDP Commercial              | 26 966            | 226 058           |
| FNB - Acc no 62284785303            | - Internal Road Reserve       | 15 075            | 2 881 530         |
| FNB - Acc no 62284785121            | - Working Capital Reserve     | 20 368 635        | 7 266 833         |
|                                     |                               | <b>37 584 839</b> | <b>22 441 664</b> |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                | 2012<br>R            | 2011<br>R            |
|----------------------------------------------------------------|----------------------|----------------------|
| <b>17 PROPERTY RATES</b>                                       |                      |                      |
| <u>Actual</u>                                                  |                      |                      |
| Rateable Land and Buildings                                    | 15 417 915           | 14 715 181           |
| Less: Rebates                                                  | (4 767 773)          | (4 941 158)          |
| <b>Total Assessment Rates</b>                                  | <b>10 650 142</b>    | <b>9 774 023</b>     |
| <u>Valuations - 1 July 2010</u>                                |                      |                      |
| Residential                                                    | 296 687 400          | 297 446 200          |
| Special Residential                                            | 10 374 800           | 10 374 800           |
| Business and Government Property used by Local Government      | 169 608 000          | 162 597 400          |
| Industrial                                                     | 102 220 600          | 102 631 100          |
| Government Property used by Provincial and District Government | 270 943 261          | 269 097 261          |
| Government Property used by National Government                | 8 798 900            | 8 798 900            |
| Public Service Infrastructure and Agriculture                  | 1 998 801 434        | 2 116 250 502        |
| Municipal Owned Property and Churches                          | 356 723 068          | 232 047 000          |
| <b>Rateable Land and Buildings</b>                             | <b>3 214 157 463</b> | <b>3 199 243 163</b> |
| <b>Rebates on Income - Basic Rate:</b>                         |                      |                      |
| Residential                                                    | 0.898c/R             | 0.848c/R             |
| Special Residential                                            | 1.168c/R             | 1.102c/R             |
| Business and Government Property used by Local Government      | 1.348c/R             | 1.272c/R             |
| Industrial                                                     | 1.797c/R             | 1.696c/R             |
| Government Property used by Provincial and District Government | 1.438c/R             | 1.357c/R             |
| Government Property used by National Government                | 1.617c/R             | 1.526c/R             |
| Public Service Infrastructure and Agriculture                  | 0.224c/R             | 0.212c/R             |
| Municipal Owned Property and Churches                          | 0.000c/R             | 0.000c/R             |

Rates are levied annually and monthly. Monthly rates are payable by the last day of each month and annual rates are payable before 30 September. Interest is levied at the prime rate on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission

|                                                                                 |                    |                   |
|---------------------------------------------------------------------------------|--------------------|-------------------|
| <b>18 GOVERNMENT GRANTS AND SUBSIDIES</b>                                       |                    |                   |
| <b>Unconditional Grants</b>                                                     | <b>66 072 795</b>  | <b>50 681 227</b> |
| Equitable Share                                                                 | 64 855 000         | 50 021 227        |
| Other Grants                                                                    | 1 217 795          | 660 000           |
| <b>Conditional Grants</b>                                                       | <b>39 224 089</b>  | <b>47 756 974</b> |
| Municipal Infrastructure Grant (MIG)                                            | 22 686 730         | 17 585 644        |
| As previously reported                                                          |                    | 17 899 522        |
| Correction of error restatement - note 36.01                                    |                    | (313 878)         |
| Municipal Systems Improvement Grant (MSIG)                                      | 790 000            | 737 817           |
| Financial Management Grant (FMG)                                                | 1 500 000          | 1 250 000         |
| National Electrification Programme Grant (NER)                                  | 86 987             | 7 215 968         |
| ECDC                                                                            | 12 999 594         | 16 637 899        |
| Other Grants                                                                    | 1 160 778          | 4 329 645         |
| <b>Total Government Grants and Subsidies</b>                                    | <b>105 296 884</b> | <b>98 438 201</b> |
| Government Grants and Subsidies - Capital                                       | 32 797 502         | 41 439 511        |
| Government Grants and Subsidies - Operating                                     | 72 499 382         | 56 998 690        |
|                                                                                 | <b>105 296 884</b> | <b>98 438 201</b> |
| The Municipality does not expect any significant changes to the level of grants |                    |                   |
| Revenue recognised per vote as required by Section 123 (c) of the MFMA          |                    |                   |
| Equitable share                                                                 | 64 855 000         | 50 021 227        |
| Budget & Treasury                                                               | 2 290 000          | 7 311 410         |
| Community & Social Services                                                     | 1 217 795          | 660 000           |
| Electricity                                                                     | 13 086 582         | 20 936 343        |
| Executive & Council                                                             | -                  | 514 743           |
| Housing                                                                         | -                  | 154 027           |
| Planning & Development                                                          | 1 160 778          | 2 788 752         |
| Road Transport                                                                  | 22 686 728         | 16 051 699        |
|                                                                                 | <b>105 296 884</b> | <b>98 438 201</b> |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                                                                                                                                                                                  | 2012<br>R    | 2011<br>R    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>18.1 Equitable Share</b>                                                                                                                                                                                                                      |              |              |
| Opening balance                                                                                                                                                                                                                                  | -            | -            |
| Grants received                                                                                                                                                                                                                                  | 64 855 000   | 50 021 227   |
| Conditions met - operating                                                                                                                                                                                                                       | (64 855 000) | (50 021 227) |
| Conditions still to be met                                                                                                                                                                                                                       | -            | -            |
| The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury                                |              |              |
| <b>18.2 Municipal Infrastructure Grant (MIG)</b>                                                                                                                                                                                                 |              |              |
| Opening balance                                                                                                                                                                                                                                  | 220 730      | 4 126 374    |
| Grants received                                                                                                                                                                                                                                  | 22 466 000   | 13 680 000   |
| Conditions met - capital                                                                                                                                                                                                                         | (19 710 921) | (17 585 644) |
| Conditions met - operating                                                                                                                                                                                                                       | (2 975 809)  | -            |
| Conditions still to be met / (unpaid grants for conditions already met)                                                                                                                                                                          | -            | 220 730      |
| MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones. |              |              |
| <b>18.3 Municipal Systems Improvement Grant (MSIG)</b>                                                                                                                                                                                           |              |              |
| Opening balance                                                                                                                                                                                                                                  | -            | (12 183)     |
| Grants received                                                                                                                                                                                                                                  | 790 000      | 750 000      |
| Conditions met - capital                                                                                                                                                                                                                         | -            | -            |
| Conditions met - operating                                                                                                                                                                                                                       | (790 000)    | (737 817)    |
| Conditions still to be met / (unpaid grants for conditions already met)                                                                                                                                                                          | -            | -            |
| MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act.                                                      |              |              |
| <b>18.4 Financial Management Grant (FMG)</b>                                                                                                                                                                                                     |              |              |
| Opening balance                                                                                                                                                                                                                                  | -            | -            |
| Grants received                                                                                                                                                                                                                                  | 1 500 000    | 1 250 000    |
| Conditions met - capital                                                                                                                                                                                                                         | -            | -            |
| Conditions met - operating                                                                                                                                                                                                                       | (1 500 000)  | (1 250 000)  |
| Conditions still to be met                                                                                                                                                                                                                       | -            | -            |
| FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).                                                                          |              |              |
| <b>18.5 National Electrification Programme Grant (NER)</b>                                                                                                                                                                                       |              |              |
| Opening balance                                                                                                                                                                                                                                  | (231 674)    | 6 984 294    |
| Grants received                                                                                                                                                                                                                                  | 1 000 000    | -            |
| Conditions met - capital                                                                                                                                                                                                                         | (86 987)     | (7 215 968)  |
| Conditions met - operating                                                                                                                                                                                                                       | -            | -            |
| Conditions still to be met                                                                                                                                                                                                                       | 681 339      | (231 674)    |
| The National Electrification Grant is used for electrical connections in previously disadvantaged areas                                                                                                                                          |              |              |
| <b>18.6 ECDC</b>                                                                                                                                                                                                                                 |              |              |
| Opening balance                                                                                                                                                                                                                                  | 7 815 866    | (301 374)    |
| Grants received                                                                                                                                                                                                                                  | 8 090 452    | 24 755 140   |
| Conditions met - capital                                                                                                                                                                                                                         | (12 999 594) | (16 637 899) |
| Conditions met - operating                                                                                                                                                                                                                       | -            | -            |
| Conditions still to be met / (unpaid grants for conditions already met)                                                                                                                                                                          | 2 906 724    | 7 815 866    |
| The ECDC Grant is used for the Ugie / PG Bison development                                                                                                                                                                                       |              |              |
| <b>18.7 Other Grants</b>                                                                                                                                                                                                                         |              |              |
| Opening balance                                                                                                                                                                                                                                  | 7 476 192    | 9 881 234    |
| Grants received                                                                                                                                                                                                                                  | 976 947      | 1 924 604    |
| Conditions met - capital                                                                                                                                                                                                                         | -            | -            |
| Conditions met - operating                                                                                                                                                                                                                       | (1 160 778)  | (4 329 645)  |
| Conditions still to be met                                                                                                                                                                                                                       | 7 292 361    | 7 476 192    |
| Various grants were received from other spheres of government                                                                                                                                                                                    |              |              |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                                                                                                                                                                                                         | 2012<br>R         | 2011<br>R         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>18.8 Total Grants</b>                                                                                                                                                                                                                                                |                   |                   |
| Opening balance                                                                                                                                                                                                                                                         | 15 281 114        | 20 678 344        |
| Grants received                                                                                                                                                                                                                                                         | 100 896 194       | 92 380 970        |
| Conditions met - Operating                                                                                                                                                                                                                                              | (98 870 297)      | (91 460 738)      |
| Conditions met - Capital                                                                                                                                                                                                                                                | (6 426 587)       | (6 317 462)       |
| Conditions still to be met/(Grant expenditure to be recovered)                                                                                                                                                                                                          | <u>10 880 424</u> | <u>15 281 114</u> |
| <u>Disclosed as follows:</u>                                                                                                                                                                                                                                            |                   |                   |
| Unspent Conditional Government Grants and Receipts                                                                                                                                                                                                                      | 10 880 460        | 15 512 824        |
| Unpaid Conditional Government Grants and Receipts                                                                                                                                                                                                                       | (36)              | (231 710)         |
|                                                                                                                                                                                                                                                                         | <u>10 880 424</u> | <u>15 281 114</u> |
| <b>19 SERVICE CHARGES</b>                                                                                                                                                                                                                                               |                   |                   |
| Electricity                                                                                                                                                                                                                                                             | 14 237 111        | 12 224 540        |
| Refuse Removal                                                                                                                                                                                                                                                          | 6 641 382         | 6 524 695         |
|                                                                                                                                                                                                                                                                         | <u>20 878 493</u> | <u>18 749 235</u> |
| Less: Rebates                                                                                                                                                                                                                                                           | (2 501 806)       | (1 622 312)       |
| <b>Total Service Charges</b>                                                                                                                                                                                                                                            | <u>18 376 687</u> | <u>17 126 923</u> |
| As previously reported                                                                                                                                                                                                                                                  |                   | 20 946 447        |
| Less: Discontinued Operations - note 3f                                                                                                                                                                                                                                 |                   | (3 819 524)       |
| Restated balance                                                                                                                                                                                                                                                        |                   | <u>17 126 923</u> |
| Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission                                                                                                            |                   |                   |
| <b>20 WATER SERVICES AUTHORITY CONTRIBUTION</b>                                                                                                                                                                                                                         |                   |                   |
| Joe Gqabi District Municipality - Water and Sewerage functions                                                                                                                                                                                                          | -                 | -                 |
| <b>Total Water Service Authority Contribution</b>                                                                                                                                                                                                                       | <u>-</u>          | <u>-</u>          |
| As previously reported                                                                                                                                                                                                                                                  |                   | 9 324 797         |
| Less: Discontinued Operations - note 3f                                                                                                                                                                                                                                 |                   | (9 324 797)       |
| Restated Balance                                                                                                                                                                                                                                                        |                   | <u>-</u>          |
| An agreement was entered into, with effect from 1 July 2009, with the Joe Gqabi District Municipality whereby the Municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the Municipality |                   |                   |
| <b>21 PLANT INCOME</b>                                                                                                                                                                                                                                                  |                   |                   |
| Earnings prior to depreciation and amortisation                                                                                                                                                                                                                         | 1 852 373         | 1 759 572         |
| Less: Depreciation and Amortisation - note 27                                                                                                                                                                                                                           | (1 854 074)       | (1 759 572)       |
| As previously reported                                                                                                                                                                                                                                                  |                   | -                 |
| Prior year error restatement - note - 36.06                                                                                                                                                                                                                             |                   | (1 759 572)       |
| <b>Total Plant Income</b>                                                                                                                                                                                                                                               | <u>(1 701)</u>    | <u>-</u>          |
| Plant Income is associated with roads construction for MIG projects                                                                                                                                                                                                     |                   |                   |
| <b>22 LICENCES AND PERMITS</b>                                                                                                                                                                                                                                          |                   |                   |
| Driving Licences                                                                                                                                                                                                                                                        | 420 384           | 326 889           |
| Learner Driving Licences                                                                                                                                                                                                                                                | 357 065           | 349 841           |
| Number Plates                                                                                                                                                                                                                                                           | 11 700            | 24 685            |
| Public Drivers Permits                                                                                                                                                                                                                                                  | 161 088           | 108 471           |
| Registrations                                                                                                                                                                                                                                                           | 753 000           | 613 185           |
| <b>Total Licences and Permits</b>                                                                                                                                                                                                                                       | <u>1 703 237</u>  | <u>1 423 071</u>  |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                       | 2012<br>R        | 2011<br>R        |
|---------------------------------------|------------------|------------------|
| <b>23 OTHER INCOME</b>                |                  |                  |
| Commission Received                   | 65 419           | 105 138          |
| Insurance Claims Received             | 219 572          | 16 873           |
| Tender Document Sales                 | 66 200           | 56 650           |
| LGSETA Claims Received                | 219 431          | 74 168           |
| Pound Fees                            | 89 474           | 98 784           |
| Income from Caravan Parks and Chalets | 8 284            | 5 970            |
| Cemetery Fees                         | 19 660           | 14 406           |
| Building Plan & Inspector             | 50 394           | 35 305           |
| Auction Sales                         | 41 570           | 86 454           |
| Discounts received                    | 150 795          | 85 773           |
| Sundry Income                         | 428 824          | 552 421          |
| <b>Total Other Income</b>             | <b>1 359 623</b> | <b>1 131 942</b> |

|                                                                  |                   |                   |
|------------------------------------------------------------------|-------------------|-------------------|
| <b>24 EMPLOYEE RELATED COSTS</b>                                 |                   |                   |
| Bonus                                                            | 1 912 581         | 1 639 676         |
| Bursary Scheme                                                   | 50 721            | 61 496            |
| Contribution to Current Employee Benefits - Staff Leave - Note 3 | 558 536           | 917 141           |
| Contribution to Employee Benefits - Long Service Awards - Note 3 | 254 417           | 228 255           |
| Medical Aid Contributions                                        | 2 208 820         | 1 884 339         |
| Overtime                                                         | 521 436           | 167 105           |
| Pension Fund Contributions                                       | 2 867 797         | 2 696 098         |
| Performance Bonuses                                              | 1 307 675         | 1 169 355         |
| Salaries and Wages                                               | 24 878 172        | 20 427 401        |
| Skills Development Levy                                          | 417 951           | 483 869           |
| Travel, motor car, telephone, assistance and other allowances    | 4 723 349         | 4 170 032         |
| UIF Contributions                                                | 215 305           | 188 919           |
| Workmen's Compensation Contributions                             | 9 016             | 404 137           |
| <b>Total Employee Related Costs</b>                              | <b>39 925 776</b> | <b>34 437 823</b> |
| As previously reported                                           |                   | 39 772 602        |
| Less: Discontinued Operations - note 35                          |                   | (5 334 779)       |
| Restated Balance                                                 |                   | <b>34 437 823</b> |

**KEY MANAGEMENT PERSONNEL**

Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract. The performance bonuses are only provisions which are estimates based on prior year's history. Performance bonuses are usually paid in the following year.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

**Municipal Manager - K Gashi**

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Remuneration                                    | 763 579          | 803 907          |
| Car and other allowances                        | 152 547          | 122 150          |
| Performance Bonuses                             | 128 474          | 129 864          |
| Contributions to UIF, Medical and Pension Fund: | 84 992           | 1 547            |
| <b>Total</b>                                    | <b>1 129 592</b> | <b>1 057 468</b> |

**Manager Infrastructure Planning and Development - C Qotoyi (resigned 30/04/2012)**

|                                                 |                |                |
|-------------------------------------------------|----------------|----------------|
| Remuneration                                    | 536 158        | 517 022        |
| Car and other allowances                        | 289 720        | 268 306        |
| Performance Bonuses                             | 97 456         | 110 163        |
| Contributions to UIF, Medical and Pension Fund: | 1 547          | 1 547          |
| <b>Total</b>                                    | <b>924 881</b> | <b>897 038</b> |

**Manager Corporate Services - S Matubatuba**

|                                                 |                  |                |
|-------------------------------------------------|------------------|----------------|
| Remuneration                                    | 473 940          | 467 465        |
| Car and other allowances                        | 432 302          | 391 937        |
| Performance Bonuses                             | 127 091          | 120 533        |
| Contributions to UIF, Medical and Pension Fund: | 1 547            | 1 547          |
| <b>Total</b>                                    | <b>1 034 880</b> | <b>981 482</b> |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                 | 2012<br>R      | 2011<br>R      |
|-------------------------------------------------|----------------|----------------|
| <b>Chief Financial Officer - SW Goodall</b>     |                |                |
| Remuneration                                    | 689 958        | 569 301        |
| Car and other allowances                        | 180 600        | 154 000        |
| Performance Bonuses                             | 122 095        | 101 478        |
| Contributions to UIF, Medical and Pension Fund: | 1 547          | 1 547          |
| <b>Total</b>                                    | <b>994 200</b> | <b>826 326</b> |

|                                                                                              |                  |                |
|----------------------------------------------------------------------------------------------|------------------|----------------|
| <b>Manager Strategic Planning and Economic Development - L Mqokoyi (resigned 26/04/2012)</b> |                  |                |
| Remuneration                                                                                 | 508 680          | 499 311        |
| Car and other allowances                                                                     | 395 775          | 356 932        |
| Performance Bonuses                                                                          | 107 349          | 120 091        |
| Contributions to UIF, Medical and Pension Fund:                                              | 1 547            | 1 547          |
| <b>Total</b>                                                                                 | <b>1 013 351</b> | <b>977 881</b> |

|                                                                    |                |          |
|--------------------------------------------------------------------|----------------|----------|
| <b>Manager Community Services - M Ntaba (appointed 03/04/2012)</b> |                |          |
| Remuneration                                                       | 130 833        | -        |
| Car and other allowances                                           | 105 933        | -        |
| Performance Bonuses                                                | 29 001         | -        |
| Contributions to UIF, Medical and Pension Fund:                    | 387            | -        |
| <b>Total</b>                                                       | <b>266 153</b> | <b>-</b> |

25 REMUNERATION OF COUNCILLORS

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Salaries                               | 5 675 487        | 5 000 049        |
| Travel and other allowances            | 2 028 228        | 1 936 488        |
| Pension Fund Contributions             | 34 716           | 46 943           |
| <b>Total Councillors' Remuneration</b> | <b>7 738 431</b> | <b>6 983 480</b> |

**In-kind Benefits**

The Mayor and Speaker are full-time. They are provided with secretarial support and an office at the cost of the Council.

26 DEBT IMPAIRMENT

|                                                       |                   |                  |
|-------------------------------------------------------|-------------------|------------------|
| Receivables from Exchange Transactions - Note 14      | 10 676 897        | 9 579 995        |
| Receivables from Non-exchange Transactions - Note 15  | (910 261)         | (1 323 446)      |
| <b>Total Contribution to Impairment Provision</b>     | <b>9 766 636</b>  | <b>8 256 549</b> |
| Add/(Less): Portion Relating to VAT - Refer to note 9 | 1 870 624         | (1 317 056)      |
| Less: Discontinued Operations - note 3f               | (1 024 749)       | (2 480 683)      |
| <b>Total Debt Impairment</b>                          | <b>10 612 511</b> | <b>4 458 810</b> |

27 DEPRECIATION AND AMORTISATION

|                                                                           |                   |                   |
|---------------------------------------------------------------------------|-------------------|-------------------|
| Property, Plant and Equipment                                             | 35 879 655        | 32 621 790        |
| As previously reported                                                    |                   | -                 |
| Correction of error restatement - note 36.06                              |                   | 32 621 790        |
| Investment Property                                                       | 75 312            | 75 106            |
| As previously reported                                                    |                   | -                 |
| Correction of error restatement - note 36.07                              |                   | 75 106            |
| Intangible Assets                                                         | 12 408            | -                 |
| <b>Total Depreciation and Amortisation</b>                                | <b>35 967 375</b> | <b>32 696 896</b> |
| Less: Depreciation and Amortisation associated with Plant Income - note 2 | (1 854 074)       | (1 759 572)       |
| <b>Total Depreciation and Amortisation</b>                                | <b>34 113 301</b> | <b>30 937 324</b> |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                                                                                              | 2012<br>R         | 2011<br>R         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>28 IMPAIRMENTS</b>                                                                                                                                        |                   |                   |
| Property, Plant and Equipment                                                                                                                                | 3 498             | 49 353            |
| As previously reported                                                                                                                                       |                   | -                 |
| Correction of error restatement - note 36.06                                                                                                                 |                   | 49 353            |
| <b>Total Impairments</b>                                                                                                                                     | <b>3 498</b>      | <b>49 353</b>     |
| The impairments relate to the capitalised restoration costs. The impairment was caused by the change in the discount rate which is linked to the prime rate. |                   |                   |
| <b>29 REPAIRS AND MAINTENANCE</b>                                                                                                                            |                   |                   |
| Infrastructure                                                                                                                                               | 3 408 550         | 757 321           |
| As previously reported                                                                                                                                       |                   | 820 325           |
| Prior year error restatement - note 36.05                                                                                                                    |                   | (63 004)          |
| Land and Buildings                                                                                                                                           | 142 778           | 307 035           |
| As previously reported                                                                                                                                       |                   | 471 620           |
| Prior year error restatement - note 36.06                                                                                                                    |                   | (164 585)         |
| Other Assets                                                                                                                                                 | 714 117           | 517 072           |
| <b>Total Repairs and Maintenance</b>                                                                                                                         | <b>4 265 445</b>  | <b>1 581 428</b>  |
| As previously reported                                                                                                                                       |                   | 2 284 437         |
| Less: Discontinued Operations - note 3f                                                                                                                      |                   | (475 420)         |
| Less: Prior year error restatement - note 36.05                                                                                                              |                   | (63 005)          |
| Less: Prior year error restatement - note 36.06                                                                                                              |                   | (164 585)         |
| Restated Balance                                                                                                                                             |                   | <b>1 581 428</b>  |
| <b>30 FINANCE CHARGES</b>                                                                                                                                    |                   |                   |
| Long-term Liabilities                                                                                                                                        | 46 070            | 49 483            |
| Finance leases                                                                                                                                               | 13 317            | 11 539            |
| Non-Current Employee Benefits                                                                                                                                | 261 958           | 232 036           |
| Non-Current Provisions - Rehabilitation of Landfill Site:                                                                                                    | 294 748           | 285 835           |
| As previously reported                                                                                                                                       |                   | -                 |
| Prior year error restatement - note 36.09                                                                                                                    |                   | 285 835           |
| <b>Total Finance Charges</b>                                                                                                                                 | <b>616 093</b>    | <b>578 893</b>    |
| <b>31 BULK PURCHASES</b>                                                                                                                                     |                   |                   |
| Electricity                                                                                                                                                  | 13 378 020        | 11 847 738        |
| <b>Total Bulk Purchases</b>                                                                                                                                  | <b>13 378 020</b> | <b>11 847 738</b> |
| <b>32 GRANTS AND SUBSIDIES</b>                                                                                                                               |                   |                   |
| Joe Gqabi Economic Development Agency                                                                                                                        | 350 000           | -                 |
| <b>Total Grants and Subsidies</b>                                                                                                                            | <b>350 000</b>    | <b>-</b>          |
| <b>33 OPERATING GRANT EXPENDITURE</b>                                                                                                                        |                   |                   |
| Budget & Treasury                                                                                                                                            | 2 013 886         | 1 839 193         |
| Electricity                                                                                                                                                  | 206 459           | 327 660           |
| Executive & Council                                                                                                                                          | 248 727           | 357 309           |
| Corporate Services                                                                                                                                           | -                 | 115 635           |
| Planning & Development                                                                                                                                       | -                 | 2 666 792         |
| Road Transport                                                                                                                                               | -                 | 593 373           |
| Waste Management                                                                                                                                             | -                 | 546 221           |
| <b>Total Grant Expenditure</b>                                                                                                                               | <b>2 469 072</b>  | <b>6 446 183</b>  |
| As previously reported                                                                                                                                       |                   | 6 450 786         |
| Less: Discontinued Operations - note 3f                                                                                                                      |                   | (4 603)           |
| Restated Balance                                                                                                                                             |                   | <b>6 446 183</b>  |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

34

GENERAL EXPENSES

|                                                    | 2012<br>R         | 2011<br>R         |
|----------------------------------------------------|-------------------|-------------------|
| Advertising                                        | 326 333           | 595 815           |
| Auditors Remuneration                              | 1 730 683         | 2 100 038         |
| Bank Charges                                       | 156 134           | 172 418           |
| Cleaning Materials                                 | 94 430            | 23 247            |
| Commission Paid                                    | 434 295           | 1 296 199         |
| As previously reported                             |                   | 1 170 199         |
| Correction of error restatement - note 36.04       |                   | 126 000           |
| Conferences and Seminars                           | 598 467           | 408 761           |
| Consulting, Professional and Legal Fees            | 6 513 952         | 4 575 367         |
| Entertainment and Catering                         | 1 355 086         | 706 672           |
| Eskom - Demand Upgrade                             | -                 | 195 199           |
| Fraud Prevention Plan                              | 74 366            | 71 474            |
| Fuel and Oil                                       | 989 896           | 650 345           |
| Gifts                                              | 28 601            | 58 123            |
| Insurance                                          | 969 019           | 471 701           |
| Job Evaluation                                     | 113 125           | -                 |
| Lease rentals on operating lease: Office Equipmen  | 231 885           | 222 190           |
| Licence Fees                                       | 237 336           | 208 576           |
| Magazines, Books and Periodicals                   | 2 410             | 8 143             |
| Postage and Courier                                | 25 658            | 28 299            |
| Printing and Stationery                            | 480 390           | 902 989           |
| Promotions and Sponsorships                        | 1 505 834         | 2 988 342         |
| Protective Clothing                                | 258 606           | 67 959            |
| Public Participation                               | 239 713           | -                 |
| Refuse Bags and Containers                         | 71 154            | 105 850           |
| Security (Guarding of Municipal Property           | 855 431           | 657 641           |
| Service Standard Charter                           | 110 313           | 242 951           |
| Small Tools and Equipment                          | 191 822           | 158 260           |
| Special Programmes                                 | 3 308 576         | 789 257           |
| Staff Tea and Coffee                               | 12 593            | 12 128            |
| Subscriptions and Membership Fees                  | 798 478           | 301 944           |
| Telephone and fax                                  | 1 534 406         | 1 055 264         |
| Town Planning and Property Valuation Fee:          | 44 872            | 652 039           |
| Traffic Department Costs                           | 89 603            | 43 871            |
| Training                                           | 840 045           | 740 698           |
| Travel and Subsistence                             | 4 137 352         | 3 636 713         |
| Ward Committees                                    | 338 550           | 443 358           |
| Other Expenditure                                  | 274 592           | 208 184           |
| <b>Total General Expenses</b>                      | <b>28 974 006</b> | <b>24 800 015</b> |
| As previously reported                             |                   | 25 078 584        |
| Less: Discontinued Operations - note 35            |                   | (404 569)         |
| Less: Correction of error restatement - note 36.04 |                   | 126 000           |
| Restated Balance                                   |                   | <b>24 800 015</b> |

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees

Included in Lease Rentals is an operating lease with Joe Gqabi District Municipality. Effective 1 July 2009 an agreement was entered with Joe Gqabi District Municipality whereby the water and sanitation assets are rented from the District Municipality for a nominal sum of R1 per year. The contract is renewable annually. In terms of the agreement all assets to water and sanitation are capitalised in the records of the water services authority being Joe Gqabi District Municipality. In terms of the trading activity, due to the fact that the Elundini Municipality accrue for all income and expenditure, all accounts receivable will also accrue to the water service provider, being Elundini Municipality. An operating subsidy is also accrued for annually from the District Municipality based on the lease agreement concluded.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                                                                                                                                                                                                                                  | 2012<br>R         | 2011<br>R         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>35 DISCONTINUED OPERATIONS</b>                                                                                                                                                                                                                                                                |                   |                   |
| The Municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Joe Gqabi District Municipality. The Water Service Authority resolved to resume full accountability for these functions as from 1 July 2012. |                   |                   |
| <b><u>The effect of Discontinued Operations on the Statement of Financial Position is as follows:</u></b>                                                                                                                                                                                        |                   |                   |
| <b>Liabilities associated with Discontinued Operations</b>                                                                                                                                                                                                                                       |                   |                   |
| Employee Benefits                                                                                                                                                                                                                                                                                | 390 069           | -                 |
| Consumer Deposits                                                                                                                                                                                                                                                                                | 45 258            | -                 |
| Current Employee Benefits                                                                                                                                                                                                                                                                        | 554 607           | -                 |
| Taxes                                                                                                                                                                                                                                                                                            | 200 183           | -                 |
|                                                                                                                                                                                                                                                                                                  | <b>1 190 117</b>  | <b>-</b>          |
| <b>Assets associated with Discontinued Operations</b>                                                                                                                                                                                                                                            |                   |                   |
| Receivable from non-exchange transactions                                                                                                                                                                                                                                                        | 2 099 947         | -                 |
| Water                                                                                                                                                                                                                                                                                            | 1 950 007         | -                 |
| Sewerage                                                                                                                                                                                                                                                                                         | 149 940           | -                 |
| Inventory                                                                                                                                                                                                                                                                                        | 599 408           | -                 |
|                                                                                                                                                                                                                                                                                                  | <b>2 699 355</b>  | <b>-</b>          |
| <b><u>The effect of Discontinued Operations on the Statement of Financial Performance is as follows:</u></b>                                                                                                                                                                                     |                   |                   |
| <b>Revenue</b>                                                                                                                                                                                                                                                                                   |                   |                   |
| Service Charges                                                                                                                                                                                                                                                                                  | 3 870 907         | 3 819 524         |
| Water Services Authority Contributor                                                                                                                                                                                                                                                             | 9 903 000         | 9 324 797         |
| <b>Total Revenue</b>                                                                                                                                                                                                                                                                             | <b>13 773 907</b> | <b>13 144 321</b> |
| <b>Expenditure</b>                                                                                                                                                                                                                                                                               |                   |                   |
| Employee Related Costs                                                                                                                                                                                                                                                                           | 6 606 336         | 5 334 779         |
| Debt Impairment                                                                                                                                                                                                                                                                                  | 1 024 749         | 2 480 683         |
| Repairs and Maintenance                                                                                                                                                                                                                                                                          | 711 692           | 475 420           |
| Operating Grant Expenditure                                                                                                                                                                                                                                                                      | 6 659             | 4 603             |
| General Expenses                                                                                                                                                                                                                                                                                 | 839 468           | 394 283           |
| As previously reported                                                                                                                                                                                                                                                                           |                   | 404 569           |
| Correction of error restatement - note 36.05                                                                                                                                                                                                                                                     |                   | (10 286)          |
|                                                                                                                                                                                                                                                                                                  | <b>9 188 904</b>  | <b>8 689 767</b>  |
| <b>Net Surplus for the year</b>                                                                                                                                                                                                                                                                  | <b>4 585 003</b>  | <b>4 454 553</b>  |
| <b>36 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>                                                                                                                                                                                                                                                 |                   | <b>2011<br/>R</b> |
| <b>36.01 Conditional Government Grants</b>                                                                                                                                                                                                                                                       |                   |                   |
| The following errors were noted and corrected                                                                                                                                                                                                                                                    |                   |                   |
| <u>Grant income not recognised where conditions were met - refer to note 8 and 1£</u>                                                                                                                                                                                                            |                   |                   |
| National Government Grants                                                                                                                                                                                                                                                                       |                   | 375 609           |
| Accumulated Surplus - 1 July 2010 note - 36.11                                                                                                                                                                                                                                                   |                   | (375 609)         |
| <u>Grant income recognised where conditions not were met - refer to note 8 and 1£</u>                                                                                                                                                                                                            |                   |                   |
| National Government Grants                                                                                                                                                                                                                                                                       |                   | (323 299)         |
| Municipal Infrastructure Grant (MIG)                                                                                                                                                                                                                                                             |                   | 313 878           |
| Accumulated Surplus - 1 July 2010 note - 36.11                                                                                                                                                                                                                                                   |                   | 9 421             |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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**36.02 Property Rates and Service Charges**

In the current year errors were noted with regards to property rates and service charges. Errors included levies on municipal owned property and churches, water leakages and electricity connection errors. Accordingly, Receivables, Service Charges and Property Rates were overstated.

|                                                               |           |
|---------------------------------------------------------------|-----------|
| Refer to Receivables from Exchange Transactions - note 14     | (38 091)  |
| Refer to Receivables from Exchange Transactions - note 14     | (32 191)  |
| Refer to Receivables from Exchange Transactions - note 14     | (104 880) |
| Refer to Receivables from Exchange Transactions - note 14     | (52 526)  |
| Refer to Receivables from Exchange Transactions - note 14     | (16 182)  |
| Refer to Receivables from Non-Exchange transactions - note 14 | (143 383) |
| Accumulated Surplus - 1 July 2010 note - 36.11                | 387 254   |

**36.03 Value Added Tax**

In the current year outstanding VAT subject to SARS audits were paid. The outstanding VAT related to years prior to 2007. The Municipality elected to write off these VAT in the prior year. Accordingly, both VAT and Accumulated Surplus were understated.

|                                                |             |
|------------------------------------------------|-------------|
| Refer to Taxes - note 9                        | 1 879 959   |
| Accumulated Surplus - 1 July 2010 note - 36.11 | (1 879 959) |

**36.04 Payables from Exchange Transactions**

During the year invoices were received relating to prior year. These invoices were not accrued for on 30 June 2011. Accordingly, Payables from Exchange Transactions and General Expenses were understated, while Accumulated Surplus were overstated.

|                                                       |           |
|-------------------------------------------------------|-----------|
| Refer to Payables from Exchange Transactions - note 7 | (939 428) |
| Refer to General Expenses - note 34                   | 126 000   |
| Accumulated Surplus - 1 July 2010 note - 36.11        | 813 428   |

**36.05 Inventory**

In the prior year the Municipality adopted Directive 4 whereby the measurement inventory was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of inventory. The effects were as follows:

|                                                                                                  |             |
|--------------------------------------------------------------------------------------------------|-------------|
| Refer to Inventory - Consumable Stores - note 13                                                 | 637 232     |
| Refer to Inventory - Land held for Sale - note 13                                                | 7 487 945   |
| Refer to Inventory - Water - note 13                                                             | 27 049      |
| Refer to Statement of Financial Performance - Gain or loss on disposal of inventory - note 36.11 | 37 482      |
| Refer to Repair and Maintenance 25                                                               | (63 004)    |
| Refer to Discontinued Operations - General Expenses - note 34                                    | (10 286)    |
| Refer to Accumulated Surplus - 1 July 2010 note - 36.11                                          | (8 116 419) |

**36.06 Property, Plant and Equipment**

In the prior year the Municipality adopted Directive 4 whereby the measurement of Property, Plant and Equipment was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Property, Plant and Equipment. During the process of measurement, it was also noted that some capital items were donated or captured as expenditure in the prior year or there were retention errors. The effects were as follows:

|                                                                                              |               |
|----------------------------------------------------------------------------------------------|---------------|
| Refer to Statement of Financial Performance - Public Contributions and Donations - note 36.1 | (33 583)      |
| Refer to Payables from Exchange Transactions - note 7                                        | (684 516)     |
| Refer to Payables from Exchange Transactions - note 7                                        | 273 577       |
| Refer to Taxes - note 9                                                                      | (33 598)      |
| Refer to Payables from Exchange Transactions - note 7                                        | 236 718       |
| Refer to Taxes - note 9                                                                      | (29 071)      |
| Refer to Repairs and Maintenance - note 25                                                   | (164 585)     |
| Refer to Statement of Financial Performance - Gain or loss on disposal of PPE - note 36.11   | (71 497)      |
| Refer to Plant Income - note 21                                                              | 1 759 572     |
| Refer to Depreciation and Amortisation - note 27                                             | 30 862 218    |
| Refer to Impairments - note 28                                                               | 49 353        |
| Refer to Accumulated Surplus - 1 July 2010 note - 36.11                                      | (255 834 232) |
| Refer to Property, Plant and Equipment - note 11                                             | 223 669 645   |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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Details with regards to Property, Plant and Equipment is as follow

Land and Buildings

|                                                                                |             |
|--------------------------------------------------------------------------------|-------------|
| Land - Cost (Opening balance)                                                  | 4 587 981   |
| Land - Cost (Disposals)                                                        | 3 840 044   |
| Buildings - Cost (Opening Balance)                                             | 18 866 870  |
| Buildings - Cost (Additions)                                                   | (5 271 890) |
| Buildings - Accumulated Depreciation (Opening balance)                         | (320 902)   |
| Buildings - Accumulated Depreciation (Depreciation Charge)                     | (193 208)   |
| Capitalised Restoration Costs - Cost (Opening balance)                         | 3 995 672   |
| Capitalised Restoration Costs - Accumulated Depreciation (Opening balance)     | (1 038 384) |
| Capitalised Restoration Costs - Accumulated Depreciation (Depreciation Charge) | (198 342)   |
| Capitalised Restoration Costs - Accumulated Depreciation (Impairment Charge)   | (49 353)    |
| Work in Progress - Cost (Opening balance)                                      | 597 447     |
| Work in Progress - Cost (Additions)                                            | 6 535 965   |

Infrastructure

|                                                                                          |              |
|------------------------------------------------------------------------------------------|--------------|
| Electricity - Cost (Opening balance)                                                     | 33 144 496   |
| Electricity - Cost (Additions)                                                           | (19 293 849) |
| Electricity - Cost (Transfer to Capital Assets)                                          | 4 837 421    |
| Electricity - Accumulated Depreciation (Opening balance)                                 | (2 145 427)  |
| Electricity - Accumulated Depreciation (Depreciation Charge)                             | (1 145 076)  |
| Roads, Pavements, Bridges & Storm Water - Cost (Opening balance)                         | 215 242 595  |
| Roads, Pavements, Bridges & Storm Water - Cost (Additions)                               | (17 461 988) |
| Roads, Pavements, Bridges & Storm Water - Cost (Transfer to Capital Assets)              | 19 355 643   |
| Roads, Pavements, Bridges & Storm Water - Accumulated Depreciation (Opening balance)     | (35 008 324) |
| Roads, Pavements, Bridges & Storm Water - Accumulated Depreciation (Depreciation Charge) | (27 614 551) |
| Work in Progress - Cost (Opening balance)                                                | 21 662 369   |
| Work in Progress - Cost (Additions)                                                      | 34 827 684   |
| Work in Progress - Cost (Transfer to Capital Assets)                                     | (24 193 064) |

Community Assets

|                                                            |             |
|------------------------------------------------------------|-------------|
| Cemeteries - Cost (Opening balance)                        | (120 918)   |
| Civic Building - Cost (Opening balance)                    | (833 398)   |
| Community Halls - Cost (Opening balance)                   | (1 643 583) |
| Community Halls - Cost (Additions)                         | (1 034 297) |
| Markets - Cost (Opening balance)                           | (734 458)   |
| Markets - Cost (Additions)                                 | (215 551)   |
| Parks & Gardens - Cost (Opening balance)                   | (400 357)   |
| Parks & Gardens - Cost (Additions)                         | (17 600)    |
| Public Conveniences & Bathhouses - Cost (Opening balances) | (5)         |
| Recreational Grounds - Cost (Opening balances)             | (7)         |
| Town Library - Cost (Opening balances)                     | (160 558)   |
| Transport Facilities - Cost (Opening balances)             | (3)         |

Leased Assets

|                                             |           |
|---------------------------------------------|-----------|
| Office Equipment - Accumulated Depreciation | (112 811) |
| Office Equipment - Depreciation Charge      | (56 483)  |

Other Assets

|                                                                       |             |
|-----------------------------------------------------------------------|-------------|
| Furniture & Fittings - Cost (Opening balance)                         | 1 046 152   |
| Furniture & Fittings - Cost (Additions)                               | (37 095)    |
| Furniture & Fittings - Cost (Disposals)                               | (6 675)     |
| Furniture & Fittings - Accumulated Depreciation (Opening balance)     | (514 235)   |
| Furniture & Fittings - Accumulated Depreciation (Depreciation Charge) | (308 655)   |
| Furniture & Fittings - Accumulated Depreciation (Disposals)           | 21 005      |
| Motor Vehicles - Cost (Opening balances)                              | 3 323 506   |
| Motor Vehicles - Cost (Disposals)                                     | (427 504)   |
| Motor Vehicles - Accumulated Depreciation (Opening balance)           | (697 520)   |
| Motor Vehicles - Accumulated Depreciation (Depreciation Charge)       | (1 111 078) |
| Motor Vehicles - Accumulated Depreciation (Disposals)                 | 230 641     |
| Computer Equipment - Cost (Opening balance)                           | (97 663)    |
| Computer Equipment - Cost (Disposals)                                 | 685         |
| Computer Equipment - Accumulated Depreciation (Opening balance)       | (339 284)   |
| Computer Equipment - Accumulated Depreciation (Depreciation Charge)   | (269 079)   |
| Computer Equipment - Accumulated Depreciation (Disposals)             | 19 147      |
| Plant and Machinery - Cost (Opening balance)                          | (3 123 781) |
| Plant and Machinery - Cost (Additions)                                | 33 583      |
| Plant and Machinery - Cost (Disposals)                                | 467 233     |
| Plant and Machinery - Accumulated Depreciation (Opening balance)      | (1 052 470) |
| Plant and Machinery - Accumulated Depreciation (Depreciation Charge)  | (1 725 317) |
| Plant and Machinery - Accumulated Depreciation (Disposals)            | 8 247       |

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**36.07 Investment Property**

In the prior year the Municipality adopted Directive 4 whereby the measurement of Investment Property was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Investment Property. The effects were as follow:

|                                                                                                            |              |
|------------------------------------------------------------------------------------------------------------|--------------|
| Refer to Investment Property - Opening balance (Cost) - note 11                                            | 25 190 727   |
| Refer to Investment Property - Opening balance (Accumulated Depreciation) - note 11                        | (150 212)    |
| Refer to Investment Property - Depreciation - note 11                                                      | (75 106)     |
| Refer to Investment Property - Disposals - note 11                                                         | (22 500)     |
| Refer to Statement of Financial Performance - Gain or loss on disposal of Investment Property - note 36.11 | 10 900       |
| Refer to Depreciation and Amortisation - note 27                                                           | 75 106       |
| Refer to Accumulated Surplus - 1 July 2010 note - 36.11                                                    | (25 028 915) |

**36.08 Intangible Assets**

In the prior year the Municipality adopted Directive 4 whereby the measurement of Investment Property was exempt. In the current year the Municipality retrospective adjusted its records to reflect the measurement of Investment Property. The effects were as follow:

|                                                         |          |
|---------------------------------------------------------|----------|
| Refer to Intangible Assets - note 12                    | (36 721) |
| Refer to Accumulated Surplus - 1 July 2010 note - 36.11 | 36 721   |

**36.09 Provision for Landfill Sites**

Adjustments made to capital restoration costs as per note 36.06 had the following effect on the provision for landfill sites:

|                                                         |           |
|---------------------------------------------------------|-----------|
| Refer to Finance Charges - note 30                      | 285 835   |
| Refer to Accumulated Surplus - 1 July 2010 note - 36.11 | (285 835) |

**36.10 Statement of Financial Performance**

|                                                           |          |
|-----------------------------------------------------------|----------|
| Public Contributions and Donations                        | 48 583   |
| As previously reported                                    | 15 000   |
| Refer to Property, Plant and Equipment - note 36.06       | 33 583   |
| Gain or loss on disposal of Property, Plant and Equipment | 281 300  |
| As previously reported                                    | 352 797  |
| Refer to Property, Plant and Equipment - note 36.06       | (71 497) |
| Gain or loss on disposal of Inventory                     | 37 482   |
| As previously reported                                    | -        |
| Refer to Inventory - note 36.06                           | 37 482   |
| Gain or loss on disposal of Investment Property           | 10 900   |
| As previously reported                                    | -        |
| Refer to Investment Property - note 36.07                 | 10 900   |

**36.11 Accumulated Surplus - 1 July 2010**

|                                                  |                    |
|--------------------------------------------------|--------------------|
| Conditional Government Grants - note 36.01       | 375 609            |
| Conditional Government Grants - note 36.01       | (9 421)            |
| Property Rates and Service Charges - note 36.02  | (387 254)          |
| Value Added Tax - note 36.03                     | 1 879 959          |
| Payables from Exchange Transactions - note 36.04 | (813 428)          |
| Inventory - note 36.06                           | 8 116 419          |
| Property, Plant and Equipment - note 36.06       | 255 834 232        |
| Investment Property note - 36.07                 | 25 028 915         |
| Intangible Assets - note 36.08                   | (36 721)           |
| Provision for Landfill Sites - note 36.09        | 285 835            |
| <b>Total</b>                                     | <b>290 274 145</b> |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                            | 2012<br>R         | 2011<br>R         |
|--------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>37 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS</b> |                   |                   |
| Surplus for the year                                                                       | 5 919 034         | 19 022 672        |
| <b>Adjustments for:</b>                                                                    |                   |                   |
| (Gain)/Loss on disposal of Property, Plant and Equipmen                                    | 97 373            | 281 300           |
| (Gain)/Loss on disposal of Investment Property                                             | -                 | 10 900            |
| Contribution from/to employee benefits - non-current                                       | 516 105           | 460 760           |
| Contribution from/to employee benefits - non-current - expenditure incurred                | (166 017)         | (213 125)         |
| Contribution from/to employee benefits - non-current - loss/(actuarial gains)              | 305 419           | (80 868)          |
| Contribution to employee benefits – current                                                | 5 132 254         | 3 259 076         |
| Contribution to employee benefits – current - expenditure incurred                         | (2 300 654)       | (1 800 551)       |
| Contribution to provisions – current                                                       | 294 748           | 285 835           |
| Contribution/(Reversal) to/of provisions – Allowance for Doubtful Deb                      | 9 766 636         | 8 256 549         |
| Bad debts written off                                                                      | (20 553 398)      | (3 823 967)       |
| Grants Received                                                                            | 100 896 194       | 92 380 970        |
| Grant Expenditure                                                                          | (105 296 884)     | (97 778 200)      |
| Depreciation and Amortisation                                                              | 35 967 375        | 32 696 896        |
| Impairments                                                                                | 3 498             | 49 353            |
| Operating Surplus/(Deficit) before changes in working capita                               | 30 581 683        | 53 007 599        |
| Changes in working capita                                                                  | 20 904 291        | (17 786 758)      |
| Increase/(Decrease) in Payables from Exchange Transactions                                 | 5 884 214         | (3 249 087)       |
| Increase/(Decrease) in Taxes                                                               | 9 856 903         | 3 507 832         |
| (Increase)/Decrease in Inventory                                                           | (422 579)         | (2 449 852)       |
| (Increase)/Decrease in Receivables from exchange transactions                              | 7 120 628         | (18 172 399)      |
| (Increase)/Decrease in Receivables from non-exchange transactions                          | (1 534 875)       | 2 576 749         |
| <b>Cash generated/(absorbed) by operations</b>                                             | <b>51 485 974</b> | <b>35 220 842</b> |
| <b>38 CASH AND CASH EQUIVALENTS</b>                                                        |                   |                   |
| Cash and cash equivalents included in the cash flow statement comprise the following       |                   |                   |
| Call Investments Deposits - Note 16                                                        | 37 584 839        | 22 441 664        |
| Cash Floats - Note 16                                                                      | 2 171             | 3 851             |
| Bank - Note 16                                                                             | 3 433 016         | 5 451 051         |
| <b>Total cash and cash equivalents</b>                                                     | <b>41 020 026</b> | <b>27 896 566</b> |
| <b>39 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>                        |                   |                   |
| Cash and Cash Equivalents - Note 38                                                        | 41 020 026        | 27 896 566        |
| Less:                                                                                      | (10 880 459)      | (15 281 115)      |
| Unspent Committed Conditional Grants - Note 8                                              | (10 880 459)      | (15 281 115)      |
| <b>Net cash resources available for internal distribution</b>                              | <b>30 139 567</b> | <b>12 615 451</b> |
| <b>40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>                              |                   |                   |
| Long-term Liabilities - Note 2                                                             | 203 731           | 330 340           |
| Used to finance property, plant and equipment - at cos                                     | (203 731)         | (330 340)         |
| <b>Cash invested for repayment of long-term liabilities</b>                                | <b>-</b>          | <b>-</b>          |

Annuity loans at amortised cost is calculated at 17.36% interest rate, with maturity date of 20 June 2015.

|                                              | 2012<br>Actual (R)    | 2012<br>Budget (R)    | 2012<br>Variance (R)   | 2012<br>Variance (%) | Explanation of Significant Variances greater than 10% versus Budget                                              |
|----------------------------------------------|-----------------------|-----------------------|------------------------|----------------------|------------------------------------------------------------------------------------------------------------------|
| <b>Revenue by Source</b>                     |                       |                       |                        |                      |                                                                                                                  |
| Property Rates                               | 10 650 142            | 13 841 822            | (3 191 680)            | -23.06%              | Application of GRAP 23 resulted in understatement as oppose to Treasury budget requirements                      |
| Government Grants and Subsidies              | 105 296 884           | 100 312 621           | 4 984 263              | 4.97%                | Accelerated service on ECDC funded programmes.                                                                   |
| Public Contributions and Donations           | 62 755                | -                     | 62 755                 | 0.00%                | Donations not anticipated.                                                                                       |
| Fines                                        | 101 754               | 72 862                | 28 892                 | 39.65%               | Cooperative agreement with Department of Transport augmenting our service delivery function                      |
| Service Charges                              | 18 376 687            | 16 003 964            | 2 372 723              | 14.83%               | Revenue enhancement and debt reduction programme.                                                                |
| Plant Income                                 | -1 701                | 15 033 647            | (15 035 348)           | -100.01%             | Inter-departmental charges.                                                                                      |
| Rental of Facilities and Equipment           | 670 661               | 832 000               | (161 339)              | -19.39%              | High level of evictions due to non-payment.                                                                      |
| Interest Earned - external investments       | 2 077 383             | 2 655 000             | (577 617)              | -21.76%              | Accelerated service delivery resulted limited available surplus funding for investment purposes                  |
| Interest Earned - outstanding debtors        | 4 721 186             | 3 301 598             | 1 419 588              | 43.00%               | Bad debts only written down at year end                                                                          |
| Licences and Permits                         | 1 703 237             | 1 790 040             | (86 803)               | -4.85%               | In line with expectation.                                                                                        |
| Other Income                                 | 1 359 623             | 15 707 310            | (14 347 687)           | -91.34%              | Deficit funding of capex programmes funded from retained earnings                                                |
|                                              | <b>145 018 611</b>    | <b>169 550 864</b>    | <b>(24 532 253)</b>    | <b>-14.47%</b>       |                                                                                                                  |
| <b>Expenditure by Nature</b>                 |                       |                       |                        |                      |                                                                                                                  |
| Employee Related Costs                       | (39 925 776)          | (39 642 204)          | (283 572)              | 0.72%                | In line with expectation.                                                                                        |
| Remuneration of Councillors                  | (7 738 431)           | (7 672 032)           | (66 399)               | 0.87%                | In line with expectation.                                                                                        |
| Debt Impairment                              | (10 612 511)          | (9 924 190)           | (688 321)              | 6.94%                | In line with expectation.                                                                                        |
| Depreciation and Amortisation                | (34 113 301)          | (4 090 000)           | (30 023 301)           | 734.07%              | Application of items previously exempt in term of Directive 4.                                                   |
| Impairments                                  | (3 498)               | -                     | (3 498)                | 0.00%                | Application of items previously exempt in term of Directive 4.                                                   |
| Actuarial Loss                               | (305 419)             | (200)                 | (305 219)              | 152609.50%           | Discount rate used by actuaries less than last year.                                                             |
| Collection Cost                              | (780 709)             | -                     | (780 709)              | 0.00%                | In line with expectation.                                                                                        |
| Repairs and Maintenance                      | (4 265 445)           | (7 228 125)           | 2 962 680              | -40.99%              | Non-implementation of service level agreement with Department of Public Works                                    |
| Finance Charges                              | (616 093)             | (106 843)             | (509 250)              | 476.63%              | Discount rate used by actuaries less than last year and discounting of landfill site provision                   |
| Bulk Purchases                               | (13 378 020)          | (14 130 000)          | 751 980                | -5.32%               | In line with expectation.                                                                                        |
| Grants and Subsidies                         | (350 000)             | (350 000)             | -                      | 0.00%                | In line with expectation.                                                                                        |
| Operating Grant Expenditure                  | (2 469 072)           | (5 330 632)           | 2 861 560              | -53.68%              | Underspending on ECDC and NER programmes.                                                                        |
| Gain or loss on disposal of PPE              | (97 373)              | -                     | (97 373)               | 0.00%                | Assets written off, but covered by insurance.                                                                    |
| Gain or loss on disposal of Inventory        | (54 926)              | -                     | (54 926)               | 0.00%                | Sell of land held for sale.                                                                                      |
| General Expenses                             | (28 974 006)          | (40 706 862)          | 11 732 856             | -28.82%              | Implementation of cost reduction strategy.                                                                       |
|                                              | <b>(143 684 580)</b>  | <b>(129 181 088)</b>  | <b>(14 503 493)</b>    | <b>11.23%</b>        |                                                                                                                  |
| <b>Net surplus from Continued Operations</b> | <b>1 334 031</b>      | <b>40 369 776</b>     | <b>(39 035 745)</b>    | <b>-96.70%</b>       |                                                                                                                  |
| <del>Discontinued Operations</del>           | <del>1 505 000</del>  | <del>5 000 550</del>  | <del>(1 351 555)</del> | <del>-22.79%</del>   | <del>Water and sanitation function to be transferred to District Municipality</del>                              |
| <b>Net surplus for the year</b>              | <b>5 919 034</b>      | <b>46 308 334</b>     | <b>(40 389 301)</b>    | <b>-87.22%</b>       |                                                                                                                  |
| <b>Operating Expenditure by vote</b>         |                       |                       |                        |                      |                                                                                                                  |
| Budget & Treasury                            | 32 828 819            | 24 595 143            | 8 233 676              | 33.48%               | Application of items previously exempt in term of Directive 4 resulted in depreciation charges on PPE and IF     |
| Community & Social Services                  | 4 788 569             | 4 973 008             | (184 439)              | -3.71%               | In line with expectation.                                                                                        |
| Electricity                                  | 18 668 715            | 23 348 612            | (4 679 897)            | -20.04%              | Underspending on ECDC and NER programmes.                                                                        |
| Executive & Council                          | 20 458 183            | 20 732 444            | (274 261)              | -1.32%               | In line with expectation.                                                                                        |
| Corporate Services                           | 14 171 214            | 18 839 123            | (4 667 909)            | -24.78%              | Non-implementation of ICT Master Systems Plan.                                                                   |
| Housing                                      | 324 471               | 489 565               | (165 094)              | -33.72%              | Immaterial variance.                                                                                             |
| Planning & Development                       | 9 604 425             | 16 567 132            | (6 962 707)            | -42.03%              | Non-implementation of the Furniture Manufacturing and Hawkers stall projects                                     |
| <del>Road Transport</del>                    | <del>30 145 132</del> | <del>16 316 050</del> | <del>23 829 082</del>  | <del>146.05%</del>   | <del>Application of items previously exempt in term of Directive 4 resulted in depreciation charges on PPE</del> |
| Sport & Recreation                           | 3 517 979             | 3 320 010             | 197 969                | 5.96%                | Backpay according IMATU judgement.                                                                               |
| Waste Management                             | 2 137 539             | 2 503 193             | (365 654)              | -14.61%              | Delayed implementation of landfill sites (PPP) outsourcing                                                       |
| Water                                        | 6 076 140             | 5 746 002             | 330 138                | 5.75%                | Backpay according IMATU judgement.                                                                               |
|                                              | <b>152 721 187</b>    | <b>137 430 283</b>    | <b>15 290 904</b>      | <b>11.13%</b>        |                                                                                                                  |
| <b>Capital Expenditure by Vote</b>           |                       |                       |                        |                      |                                                                                                                  |
| Budget & Treasury                            | 1 417 320             | 1 904 600             | (487 280)              | -25.58%              | Delays in sourcing service provider to effect building additions to administrative building                      |
| Community & Social Services                  | 173 744               | 243 080               | (69 336)               | -28.52%              | Project savings.                                                                                                 |
| Electricity                                  | 4 861 777             | 8 099 510             | (3 237 733)            | -39.97%              | Underspending on ECDC and NER programmes.                                                                        |
| Executive & Council                          | 691 852               | 715 935               | (24 083)               | -3.36%               | In line with expectation.                                                                                        |
| Corporate Services                           | 131 041               | 409 881               | (278 840)              | -68.03%              | Delays in staff appointments and therefore furniture not procured                                                |
| Planning & Development                       | 419 592               | 2 128 853             | (1 709 261)            | -80.29%              | Delayed procurement of rear-end loader due to delays in appointment of PPP                                       |
| Road Transport                               | 30 541 866            | 35 611 275            | (5 069 409)            | -14.24%              | Underspending on ECDC programmes.                                                                                |
| Sport & Recreation                           | 108 267               | 735 000               | (626 733)              | -85.27%              | Delays in appointment of consultants in sportfields development                                                  |
|                                              | <b>38 345 460</b>     | <b>49 848 134</b>     | <b>(11 502 674)</b>    | <b>-23.08%</b>       |                                                                                                                  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                  | 2012<br>R         | 2011<br>R        |
|----------------------------------------------------------------------------------|-------------------|------------------|
| <b>42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b> |                   |                  |
| <b>42.1 Unauthorised expenditure</b>                                             |                   |                  |
| Reconciliation of unauthorised expenditure                                       |                   |                  |
| Opening balance                                                                  | 1 274 466         | 21 547 705       |
| Unauthorised expenditure current year - capita                                   | -                 | -                |
| Unauthorised expenditure current year - operating                                | 32 590 865        | 1 177 632        |
| Approved by Council or condoned                                                  | -                 | (21 450 871)     |
| Transfer to receivables for recovery                                             | -                 | -                |
| Unauthorised expenditure awaiting authorisation                                  | <b>33 865 332</b> | <b>1 274 466</b> |

| Incident                  | Disciplinary steps/criminal proceedings |
|---------------------------|-----------------------------------------|
| Over expenditure on votes | None                                    |

**42.2 Fruitless and wasteful expenditure**

|                                                         |               |               |
|---------------------------------------------------------|---------------|---------------|
| Reconciliation of fruitless and wasteful expenditure    |               |               |
| Opening balance                                         | 11 021        | 491 703       |
| Fruitless and wasteful expenditure current year         | 28 592        | 11 021        |
| Condoned or written off by Council                      | (11 021)      | (491 703)     |
| Transfer to receivables for recovery - not condoned     | -             | -             |
| Fruitless and wasteful expenditure awaiting condonement | <b>28 592</b> | <b>11 021</b> |

| Incident | Disciplinary steps/criminal proceedings |
|----------|-----------------------------------------|
| Interest | None                                    |

**42.3 Irregular expenditure**

|                                                     |                |           |
|-----------------------------------------------------|----------------|-----------|
| Reconciliation of irregular expenditure             |                |           |
| Opening balance                                     | -              | 181 804   |
| Irregular expenditure current year                  | 686 693        | -         |
| Condonement supported by council                    | -              | (181 804) |
| Transfer to receivables for recovery - not condoned | -              | -         |
| Irregular expenditure awaiting condonement          | <b>686 693</b> | <b>-</b>  |

| Incident                                           | Disciplinary steps/criminal proceedings |
|----------------------------------------------------|-----------------------------------------|
| Non-compliance with Supply Chain Management Policy | None                                    |

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

**42.4 Material Losses****Electricity distribution losses**

|                           |                  |                  |
|---------------------------|------------------|------------------|
| Kwh purchased             | 19 578 645       | 19 450 935       |
| Less: Kwh sold            | (13 488 402)     | (13 020 214)     |
| Kwh losses                | 6 090 243        | 6 430 721        |
| % Losses                  | 31.11%           | 33.06%           |
| Average cost per Kwh unit | 0.6890           | 0.5746           |
| Losses in Rand Value      | <b>4 196 127</b> | <b>3 695 402</b> |

A loss deduction strategy was developed. A revenue protection plan has been established for 2012/2013 to implement the reduction strategy in line with NERSA requirements to reduce losses.

**Water distribution losses**

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Kilolitres purified                 | 1 452 396        | 893 120          |
| Kilolitres lost during distribution | 539 696          | 314 868          |
| Percentage lost during distribution | 37.16%           | 35.25%           |
| Average cost per Kilolitre          | 6.0490           | 7.6237           |
| Losses in Rand Value                | <b>3 264 597</b> | <b>2 400 450</b> |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|      |                                                                                                                                                                                        | 2012<br>R                                    | 2011<br>R                                    |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| 43   | <b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>                                                                                                             |                                              |                                              |
| 43.1 | <b><u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u></b>                                                                                    |                                              |                                              |
|      | Council subscriptions                                                                                                                                                                  | 395 374                                      | 239 262                                      |
|      | Amount paid - current year                                                                                                                                                             | (395 374)                                    | (239 262)                                    |
|      | <b>Balance unpaid (included in creditors)</b>                                                                                                                                          | <b>-</b>                                     | <b>-</b>                                     |
| 43.2 | <b><u>Audit fees - [MFMA 125 (1)(b)]</u></b>                                                                                                                                           |                                              |                                              |
|      | Opening balance                                                                                                                                                                        | 183 323                                      | 228 000                                      |
|      | Current year audit fees                                                                                                                                                                | 3 111 893                                    | 3 097 889                                    |
|      | Amount paid - current year                                                                                                                                                             | (3 247 050)                                  | (3 142 566)                                  |
|      | <b>Balance unpaid (included in creditors)</b>                                                                                                                                          | <b>48 166</b>                                | <b>183 323</b>                               |
| 43.3 | <b><u>VAT - [MFMA 125 (1)(b)]</u></b>                                                                                                                                                  |                                              |                                              |
|      | Opening balance                                                                                                                                                                        | 4 928 355                                    | 3 121 065                                    |
|      | Amounts received - current year                                                                                                                                                        | (15 804 525)                                 | (12 459 873)                                 |
|      | Amounts claimed - current year                                                                                                                                                         | 2 225 155                                    | 14 267 163                                   |
|      | <b>VAT Receivable</b>                                                                                                                                                                  | <b>(8 651 015)</b>                           | <b>4 928 355</b>                             |
|      | VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year. |                                              |                                              |
| 43.4 | <b><u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u></b>                                                                                                                                    |                                              |                                              |
|      | Opening balance                                                                                                                                                                        | 10 000                                       | -                                            |
|      | Current year payroll deductions and Council Contribution                                                                                                                               | 7 856 518                                    | 6 491 879                                    |
|      | Amount paid - current year                                                                                                                                                             | (7 846 518)                                  | (6 481 879)                                  |
|      | <b>Balance unpaid (included in creditors)</b>                                                                                                                                          | <b>-</b>                                     | <b>10 000</b>                                |
| 43.5 | <b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>                                                                                                                   |                                              |                                              |
|      | Opening balance                                                                                                                                                                        | -                                            | -                                            |
|      | Current year payroll deductions and Council Contribution                                                                                                                               | 10 079 922                                   | 9 342 993                                    |
|      | Amount paid - current year                                                                                                                                                             | (10 079 922)                                 | (9 342 993)                                  |
|      | <b>Balance unpaid (included in creditors)</b>                                                                                                                                          | <b>-</b>                                     | <b>-</b>                                     |
| 43.6 | <b><u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u></b>                                                                                                                |                                              |                                              |
|      |                                                                                                                                                                                        | <b>Outstanding<br/>more than 90<br/>days</b> | <b>Outstanding<br/>more than 90<br/>days</b> |
|      | The following Councillors had arrear accounts for more than 90 days as at 30 June                                                                                                      |                                              |                                              |
|      | M Bomela                                                                                                                                                                               | -                                            | 3 994                                        |
|      | L S Baduza                                                                                                                                                                             | 2 623                                        | 6 464                                        |
|      | <b>Total Councillor Arrear Consumer Accounts as on 30 June</b>                                                                                                                         | <b>2 623</b>                                 | <b>10 458</b>                                |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                       | 2012<br>R         | 2011<br>R         |
|-------------------------------------------------------|-------------------|-------------------|
| <b>44 CAPITAL COMMITMENTS</b>                         |                   |                   |
| <b>Commitments in respect of capital expenditure:</b> |                   |                   |
| Approved and contracted for:                          | 18 004 545        | 23 650 456        |
| Infrastructure                                        | 39 706 993        | 23 650 456        |
| <b>Total</b>                                          | <b>18 004 545</b> | <b>23 650 456</b> |
| <br>This expenditure will be financed from            |                   |                   |
| Government Grants                                     | 16 970 519        | 23 650 456        |
| Own funding                                           | 1 034 026         | -                 |
|                                                       | <b>18 004 545</b> | <b>23 650 456</b> |

**45 FINANCIAL RISK MANAGEMENT**

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The Municipality does not engage in foreign currency transactions

**(b) Price risk**

The Municipality is not exposed to price risk

**(c) Interest Rate Risk**

As the Municipality has significant interest-bearing liabilities, the Municipality's income and operating cash flows are substantially dependent on changes in market interest rates.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Municipality calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the Municipality's surplus/deficit for the year due to changes in interest rates were as follow:

|                                               |           |           |
|-----------------------------------------------|-----------|-----------|
| 0.5% (2011 - 0.5%) Increase in interest rates | 203 438   | 199 322   |
| 0.5% (2011 - 0.5%) Decrease in interest rates | (203 438) | (199 322) |

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the Municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 14 for balances included in receivables that were re-negotiated for the period under review.

**ELUNDINI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

|                                 | 2012<br>%   | 2012<br>R         | 2011<br>%   | 2011<br>R        |
|---------------------------------|-------------|-------------------|-------------|------------------|
| Balances past due not impaired: |             |                   |             |                  |
| <u>Non-Exchange Receivables</u> |             |                   |             |                  |
| Rates                           | 80.29%      | 2 633 274         | 91.44%      | 576 269          |
| Other                           | 19.71%      | 646 532           | 8.56%       | 53 978           |
|                                 | <u>100%</u> | <u>3 279 806</u>  | <u>100%</u> | <u>630 247</u>   |
| <u>Exchange Receivables</u>     |             |                   |             |                  |
| Electricity                     | 10.88%      | 1 776 800         | 24.03%      | 1 182 422        |
| Water                           | 7.18%       | 1 172 386         | 13.66%      | 672 267          |
| Refuse                          | 18.77%      | 3 064 442         | 29.09%      | 1 431 696        |
| Sewerage                        | 0.53%       | 86 858            | 1.96%       | 96 385           |
| Other                           | 62.63%      | 10 223 197        | 31.26%      | 1 538 463        |
|                                 | <u>100%</u> | <u>16 323 682</u> | <u>100%</u> | <u>4 921 233</u> |

No trade and other receivables are pledged as security for financial liabilities

Due to the short term nature of trade and other receivables the carrying value disclosed in note 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate where applicable

|                                                                                                     | 2012<br>%      | 2012<br>R         | 2011<br>%   | 2011<br>R         |
|-----------------------------------------------------------------------------------------------------|----------------|-------------------|-------------|-------------------|
| The provision for bad debts could be allocated between the different classes of debtors as follows: |                |                   |             |                   |
| <u>Non-Exchange Receivables</u>                                                                     |                |                   |             |                   |
| Rates                                                                                               | 100%           | 10 231 908        | 100%        | 11 291 995        |
| <u>Exchange Receivables</u>                                                                         |                |                   |             |                   |
| Electricity                                                                                         | 24.64%         | 7 468 317         | 25%         | 10 029 388        |
| Water                                                                                               | 16.38%         | 4 965 749         | 12%         | 4 682 881         |
| Refuse                                                                                              | 50.64%         | 15 350 991        | 54%         | 21 670 080        |
| Sewerage                                                                                            | 1.98%          | 599 974           | 1%          | 470 241           |
| Other                                                                                               | 6.36%          | 1 926 491         | 8%          | 3 185 607         |
|                                                                                                     | <u>100.00%</u> | <u>30 311 522</u> | <u>100%</u> | <u>40 038 197</u> |

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the Municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Receivables are individually evaluated annually at Statement of Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable

|                                                                    | 2012<br>R          | 2011<br>R         |
|--------------------------------------------------------------------|--------------------|-------------------|
| Financial assets exposed to credit risk at year end are as follows |                    |                   |
| Receivables from Exchange Transactions                             | 50 864 654         | 57 985 282        |
| Receivables from Non-Exchange Transactions                         | 13 556 876         | 12 022 001        |
| Cash and Cash Equivalents                                          | 41 020 026         | 27 896 566        |
| Unpaid conditional grants and subsidies                            | 36                 | 231 709           |
|                                                                    | <u>105 441 592</u> | <u>98 135 558</u> |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012

2011

R

R

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities

The table below analyses the Municipality's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

|                                                    | Less than 1 year | Between 1 and 5 years | Over 5 years | Total      |
|----------------------------------------------------|------------------|-----------------------|--------------|------------|
| <b>2012</b>                                        |                  |                       |              |            |
| Long Term liabilities - Annuity Loans              | 90 022           | 180 044               | -            | 270 066    |
| Capital repayments                                 | 56 948           | 146 783               | -            | 203 731    |
| Interest                                           | 33 074           | 33 261                | -            | 66 335     |
| Provision for Landfill Sites                       | -                | -                     | 5 903 869    | 5 903 869  |
| Capital repayments                                 | -                | -                     | 5 609 121    | 5 609 121  |
| Interest                                           | -                | -                     | 294 748      | 294 748    |
| Payables from Exchange Transactions                | 18 510 703       | -                     | -            | 18 510 703 |
| Unspent conditional government grants and receipts | 10 880 423       | -                     | -            | 10 880 423 |
|                                                    | 29 481 148       | 180 044               | 5 903 869    | 35 565 061 |
| <b>2011</b>                                        |                  |                       |              |            |
| Long Term liabilities - Annuity Loans              | 90 023           | 270 065               | -            | 360 088    |
| Capital repayments                                 | 48 126           | 203 731               | -            | 251 857    |
| Interest                                           | 41 897           | 66 334                | -            | 108 231    |
| Long Term liabilities - Finance Lease Liability    | 82 080           | -                     | -            | 82 080     |
| Capital repayments                                 | 78 483           | -                     | -            | 78 483     |
| Interest                                           | 3 597            | -                     | -            | 3 597      |
| Provision for Landfill Sites                       | -                | -                     | 5 894 956    | 5 894 956  |
| Capital repayments                                 | -                | -                     | 5 609 121    | 5 609 121  |
| Interest                                           | -                | -                     | 285 835      | 285 835    |
| Payables from Exchange Transactions                | 12 626 489       | -                     | -            | 12 626 489 |
| Unspent conditional government grants and receipts | 15 512 824       | -                     | -            | 15 512 824 |
|                                                    | 28 311 416       | 270 065               | 5 894 956    | 34 476 437 |

|                                                                                                     | 2012<br>R                | 2011<br>R                |
|-----------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>46 FINANCIAL INSTRUMENTS</b>                                                                     |                          |                          |
| In accordance with GRAP 104 the financial instruments of the Municipality are classified as follow: |                          |                          |
| <b>46.1 Financial Assets</b>                                                                        |                          |                          |
| <b>Financial Instruments at Amortised Cost</b>                                                      |                          |                          |
| Receivables from Exchange Transactions                                                              | 18 453 185               | 17 947 085               |
| Receivables from Non-exchange Transactions                                                          | 3 324 968                | 730 006                  |
| Unpaid Conditional Government Grants and Receipts                                                   | 36                       | 231 709                  |
| Cash and Cash Equivalents                                                                           | 41 020 026               | 27 896 566               |
| <b>Total carrying amount of financial assets</b>                                                    | <u><b>62 798 215</b></u> | <u><b>46 805 366</b></u> |
| <b>46.2 Financial Liability</b>                                                                     |                          |                          |
| <b>Financial Instruments at Amortised Cost</b>                                                      |                          |                          |
| Long-term Liabilities                                                                               | 146 783                  | 203 732                  |
| Payables from Exchange Transactions                                                                 | 18 510 703               | 12 626 489               |
| Unspent Conditional Grants and Receipts                                                             | 10 880 459               | 15 512 824               |
| Current Portion of Long-term Liabilities                                                            | 56 948                   | 126 608                  |
| <b>Total carrying amount of financial liabilities</b>                                               | <u><b>29 594 893</b></u> | <u><b>28 469 653</b></u> |

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2012<br>R | 2011<br>R |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| <b>47 EVENTS AFTER THE REPORTING DATE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |           |           |
| The Municipality has no events after reporting date during the financial year ended 2011/2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |           |           |
| <b>48 IN-KIND DONATIONS AND ASSISTANCE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |           |           |
| The Municipality did not receive any in-kind donations or assistance during the year under review                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |           |           |
| <b>49 PRIVATE PUBLIC PARTNERSHIPS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |           |
| Council has not entered into any private public partnerships during the financial year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |           |           |
| <b>50 CONTINGENT LIABILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |           |           |
| Council do have the following contingent liabilities at the end of the financial year 2011/2012:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |           |
| A claim has been lodged by Mr. S Songca for the amount of R50 000 plus 15.5% interest costs for monies payable in respect of farm damages resulting from veld fires. The claim is still pending before court.                                                                                                                                                                                                                                                                                                                                                                                                                                     |           |           |
| There has been a claim lodged by Wesbank against the Municipality in relation to the cancelation of a rental agreement for a PABX system. The rental agreement was entered into in 2005, however due to persistent problems with the system, the agreement was cancelled in July 2008 and the assets of the system collected on the 25th February 2009. Currently a claim to the value of R296 224.31 has been lodged against the Municipality by Wesbank. This debt has prescribed in July 2011 and as such Council is dealing with the matter to have the debt set aside. This matter is currently pending before the High Court in Grahamstown |           |           |
| The Municipality obtained an eviction order against various invaders in Mount Fletcher. The matter is currently pending before the High Court in Mthatha. The estimated legal costs and eviction related costs are estimated at R400 000.                                                                                                                                                                                                                                                                                                                                                                                                         |           |           |
| The Municipality is currently assisting Councillors to recover their pension contribution for the last term in office. This matter is still to be referred to attorneys in order to pursue. The estimated cost to pursue this case is R200 000.                                                                                                                                                                                                                                                                                                                                                                                                   |           |           |
| Amadwala Trading 363 CC has applied for a administrative review in relation to the tender awarded for the Dengwane Acces Road project. No court date has been set as to date. The anticipated legal costs are R150 000.                                                                                                                                                                                                                                                                                                                                                                                                                           |           |           |
| The Waste Group (Pty) Ltd has applied for a administrative review in relation to the tender awarded for the operation and maintenance of waste disposal sites. The anticipated legal costs are R300 000.                                                                                                                                                                                                                                                                                                                                                                                                                                          |           |           |

**51 RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

**51.1 Related Party Transactions**

|                                                   | Rates<br>1 July 11 to<br>30 June 12 | Service Charges<br>1 July 11 to<br>30 June 12 | Other<br>1 Jul 11 to<br>30 Jun 12 | Outstanding<br>Balances as at<br>30 June 2012 |
|---------------------------------------------------|-------------------------------------|-----------------------------------------------|-----------------------------------|-----------------------------------------------|
| <b>Year ended 30 JUNE 2012</b>                    |                                     |                                               |                                   |                                               |
| <b>Councillors</b>                                |                                     |                                               |                                   |                                               |
| N R Yelani-Lengs                                  | -                                   | 4 644                                         | -                                 | 458                                           |
| M A Mqamelo                                       | -                                   | 2 452                                         | -                                 | 204                                           |
| L S Baduza                                        | -                                   | 4 277                                         | 21 024                            | 5 794                                         |
| M Bomela                                          | 3 471                               | 3 032                                         | -                                 | (549)                                         |
| T J Pikinini                                      | 171                                 | 919                                           | -                                 | 98                                            |
|                                                   | <b>3 642</b>                        | <b>15 324</b>                                 | <b>21 024</b>                     | <b>6 005</b>                                  |
| <b>Municipal Manager and Section 57 Employees</b> |                                     |                                               |                                   |                                               |
| K Gashi                                           | -                                   | 950                                           | 17 964                            | 1 253                                         |
| S R Matubatuba                                    | -                                   | 1 900                                         | 28 308                            | 2 517                                         |
|                                                   | <b>-</b>                            | <b>2 850</b>                                  | <b>46 272</b>                     | <b>3 770</b>                                  |

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

|                                                                                                                  | 2012<br>R      | 2011<br>R      |
|------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>51.2 Related Party Loans</b>                                                                                  |                |                |
| Since 1 July 2004 loans to Councillors and Senior management employees are not permitted.                        |                |                |
| <b>51.3 Compensation of key management personnel</b>                                                             |                |                |
| The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.           |                |                |
| <b>51.4 Other related party transactions</b>                                                                     |                |                |
| The following purchases were made during the year where Key Management Personnel and Officials have an interest: |                |                |
| Ganta Trading Enterprise (Spouse of Director A M Ntaba)                                                          | 53 215         | 129 305        |
| Mysa Implementation Agents CC (Brother of Manager Corporate Services: S Matubatuba                               | 236 698        | -              |
| Nosisanda Trading Enterprise (Niece of official Z Thuli                                                          | 1 530          | -              |
| Nobongoza Trading Enterprise (Spouse of official T Klaas                                                         | 9 680          | -              |
|                                                                                                                  | <b>301 123</b> | <b>129 305</b> |

**APPENDIX A - Unaudited**  
**ELUNDINI LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

| <b>EXTERNAL LOANS</b>          | <b>Rate</b> | <b>Loan Number</b> | <b>Redeemable</b> | <b>Balance at 30 JUNE 2011</b> | <b>Received during the period</b> | <b>Redeemed written off during the period</b> | <b>Balance at 30 JUNE 2012</b> |
|--------------------------------|-------------|--------------------|-------------------|--------------------------------|-----------------------------------|-----------------------------------------------|--------------------------------|
| <b>ANNUITY LOANS</b>           |             |                    |                   |                                |                                   |                                               |                                |
| DBSA loan                      | 17.36%      | 9004857            | 30/06/2015        | 251 857                        | -                                 | 48 126                                        | 203 731                        |
| <b>Total Annuity Loans</b>     |             |                    |                   | <b>251 857</b>                 | <b>-</b>                          | <b>48 126</b>                                 | <b>203 731</b>                 |
| <b>LEASE LIABILITY</b>         |             |                    |                   |                                |                                   |                                               |                                |
| Copier MP 7500                 | 10.00%      | L7963000247        | 30/01/2012        | 15 074                         | -                                 | 15 074                                        | -                              |
| Copier MP 9000                 | 10.00%      | L5580100042        | 30/06/2012        | 63 409                         | -                                 | 63 409                                        | -                              |
| <b>Total Lease Liabilities</b> |             |                    |                   | <b>78 483</b>                  | <b>-</b>                          | <b>78 483</b>                                 | <b>-</b>                       |
| <b>TOTAL EXTERNAL LOANS</b>    |             |                    |                   | <b>330 340</b>                 | <b>-</b>                          | <b>126 609</b>                                | <b>203 731</b>                 |

**APPENDIX B - Unaudited**  
**ELUNDINI LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

| Grant Description                                  | Balance<br>1 JULY 2011<br>R | Correction<br>of error<br>R | Restated<br>balance<br>1 JULY 2011<br>R | Contributions<br>during the year<br>R | Operating<br>Expenditure<br>during the year<br>Transferred<br>to Revenue<br>R | Capital<br>Expenditure<br>during the year<br>Transferred<br>to Revenue<br>R | Balance<br>30 JUNE 2012<br>R | Unspent<br>30 JUNE 2012<br>(Creditor)<br>R | Unpaid<br>30 JUNE 2012<br>(Debtor)<br>R |
|----------------------------------------------------|-----------------------------|-----------------------------|-----------------------------------------|---------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------|--------------------------------------------|-----------------------------------------|
| UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS |                             |                             |                                         |                                       |                                                                               |                                                                             |                              |                                            |                                         |
| <u>National Government Grants</u>                  |                             |                             |                                         |                                       |                                                                               |                                                                             |                              |                                            |                                         |
| 7140/5401 - MUNICIPAL INFRASTRUCTURE GRANT         | 41 367                      | 179 363                     | 220 730                                 | 22 466 000                            | 2 975 809                                                                     | 19 710 921                                                                  | -                            | -                                          | -                                       |
| 7140/5402 - NER                                    | -                           | (231 674)                   | (231 674)                               | 1 000 000                             | -                                                                             | 86 987                                                                      | 681 339                      | 681 339                                    | -                                       |
| 7140/5404 - FINANCIAL MANAGEMENT GRANT             | -                           | -                           | -                                       | 1 500 000                             | 1 500 000                                                                     | -                                                                           | -                            | -                                          | -                                       |
| 7140/5407 - MUNICIPAL SYSTEMS IMPROVEMENT GRANT    | -                           | -                           | -                                       | 790 000                               | 790 000                                                                       | -                                                                           | -                            | -                                          | -                                       |
| Total National Government Grants                   | 41 367                      | (52 311)                    | (10 944)                                | 25 756 000                            | 5 265 809                                                                     | 19 797 908                                                                  | 681 339                      | 681 339                                    | -                                       |
| <u>Provincial Government Grants</u>                |                             |                             |                                         |                                       |                                                                               |                                                                             |                              |                                            |                                         |
| 7140/5405 - EPWP                                   | 276 449                     | -                           | 276 449                                 | 433 000                               | 709 449                                                                       | -                                                                           | -                            | -                                          | -                                       |
| 7140/5411 - HAWKERS STALLS                         | 1 844 924                   | -                           | 1 844 924                               | -                                     | 91 000                                                                        | -                                                                           | 1 753 924                    | 1 753 924                                  | -                                       |
| 7140/5426 - ELUNDINI HOUSING                       | 71 732                      | -                           | 71 732                                  | -                                     | -                                                                             | -                                                                           | 71 732                       | 71 732                                     | -                                       |
| 7140/5430 - HOUSING PILOT                          | 112 508                     | -                           | 112 508                                 | -                                     | -                                                                             | -                                                                           | 112 508                      | 112 508                                    | -                                       |
| 7140/5432 - LIBRARY FUND                           | 107 828                     | -                           | 107 828                                 | -                                     | -                                                                             | -                                                                           | 107 828                      | 107 828                                    | -                                       |
| 7140/5443 - TOURISM                                | 542 756                     | -                           | 542 756                                 | 20 000                                | -                                                                             | -                                                                           | 562 756                      | 562 756                                    | -                                       |
| 7140/5446 - LED OPEN                               | 38 726                      | -                           | 38 726                                  | 116 677                               | -                                                                             | -                                                                           | 155 403                      | 155 403                                    | -                                       |
| 7140/5447 - MACLEAR GREENFIELD                     | 651 784                     | -                           | 651 784                                 | -                                     | -                                                                             | -                                                                           | 651 784                      | 651 784                                    | -                                       |
| 7140/5455 - MADIBA CORRIDOR                        | 700 000                     | -                           | 700 000                                 | -                                     | -                                                                             | -                                                                           | 700 000                      | 700 000                                    | -                                       |
| 7140/5457 - DEDEA BOTTLING WATER                   | 1 250                       | -                           | 1 250                                   | -                                     | -                                                                             | -                                                                           | 1 250                        | 1 250                                      | -                                       |
| 7140/5470 - FURNITURE MANUFACTURING                | 1 056 856                   | -                           | 1 056 856                               | -                                     | -                                                                             | -                                                                           | 1 056 856                    | 1 056 856                                  | -                                       |
| Total Provincial Grants                            | 5 404 813                   | -                           | 5 404 813                               | 569 677                               | 800 449                                                                       | -                                                                           | 5 174 041                    | 5 174 041                                  | -                                       |
| <u>District Municipality Grants</u>                |                             |                             |                                         |                                       |                                                                               |                                                                             |                              |                                            |                                         |
| 7140/5461 - WARD FUNCTIONS                         | 42 196                      | -                           | 42 196                                  | -                                     | -                                                                             | -                                                                           | 42 196                       | 42 196                                     | -                                       |
| 7140/5463 - COMMUNITY PARTICIPATION                | 76 500                      | -                           | 76 500                                  | -                                     | -                                                                             | -                                                                           | 76 500                       | 76 500                                     | -                                       |
| Total District Municipality Grants                 | 118 696                     | -                           | 118 696                                 | -                                     | -                                                                             | -                                                                           | 118 696                      | 118 696                                    | -                                       |
| <u>Other Grant Providers</u>                       |                             |                             |                                         |                                       |                                                                               |                                                                             |                              |                                            |                                         |
| 7140/5403 - MSP                                    | 1 637 912                   | -                           | 1 637 912                               | -                                     | -                                                                             | -                                                                           | 1 637 912                    | 1 637 912                                  | -                                       |
| 7140/5416 - VOTER STATION                          | 299 896                     | -                           | 299 896                                 | -                                     | -                                                                             | -                                                                           | 299 896                      | 299 896                                    | -                                       |
| 7140/5422 - TOWN REGISTER                          | (36)                        | -                           | (36)                                    | -                                     | -                                                                             | -                                                                           | (36)                         | -                                          | (36)                                    |
| 7140/5429 - KATLEHONG HOUSING                      | 2 791                       | -                           | 2 791                                   | -                                     | -                                                                             | -                                                                           | 2 791                        | 2 791                                      | -                                       |
| 7140/5449 - LEAVE RESERVE                          | 12 118                      | -                           | 12 118                                  | -                                     | -                                                                             | -                                                                           | 12 118                       | 12 118                                     | -                                       |
| 7140/5476 - ECDC                                   | 7 815 867                   | -                           | 7 815 867                               | 8 090 452                             | -                                                                             | 12 999 594                                                                  | 2 906 725                    | 2 906 725                                  | -                                       |
| 7140/5465 - SOCIAL DEVELOPMENT PROGRAMME           | -                           | -                           | -                                       | 46 941                                | -                                                                             | -                                                                           | 46 941                       | 46 941                                     | -                                       |
| 0602/1217 - DBSA                                   | -                           | -                           | -                                       | 360 329                               | 360 329                                                                       | -                                                                           | -                            | -                                          | -                                       |
| Total Other Grant Providers                        | 9 768 548                   | -                           | 9 768 548                               | 8 497 722                             | 360 329                                                                       | 12 999 594                                                                  | 4 906 347                    | 4 906 383                                  | (36)                                    |
| TOTAL                                              | 15 333 424                  | (52 311)                    | 15 281 113                              | 34 823 399                            | 6 426 587                                                                     | 32 797 502                                                                  | 10 880 423                   | 10 880 459                                 | (36)                                    |